



GENERAL ASSEMBLY

COMMONWEALTH OF KENTUCKY

2013 REGULAR SESSION

SENATE BILL NO. 2

AS ENACTED

TUESDAY, MARCH 26, 2013

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ALISON LUNDERGAN GRIMES
SECRETARY OF STATE
COMMONWEALTH OF KENTUCKY
BY L. Adler

1 AN ACT relating to retirement.

2 *Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

3 ➔SECTION 1. A NEW SECTION OF KRS CHAPTER 7A IS CREATED TO
4 READ AS FOLLOWS:

5 *The Public Pension Oversight Board of the Kentucky General Assembly is hereby*
6 *established. The purpose of the board shall be to review, analyze, and provide oversight*
7 *to the General Assembly on the benefits, administration, investments, funding, laws*
8 *and administrative regulations, and legislation pertaining to the Kentucky Retirement*
9 *Systems.*

10 ➔SECTION 2. A NEW SECTION OF KRS CHAPTER 7A IS CREATED TO
11 READ AS FOLLOWS:

12 *As used in Sections 1 to 7 of this Act, unless the context requires otherwise:*

13 *(1) "Board" means the Public Pension Oversight Board;*

14 *(2) "Kentucky Retirement Systems" means:*

15 *(a) The State Police Retirement System as provided by KRS 16.505 to 16.652;*

16 *(b) The Kentucky Employees Retirement System as provided by KRS 61.510 to*
17 *61.705; and*

18 *(c) The County Employees Retirement System as provided by KRS 78.510 to*
19 *78.852; and*

20 *(3) "State agency" means any department, commission, council, board, bureau,*
21 *committee, institution, legislative body, agency, government corporation, or other*
22 *entity of the executive, judicial, or legislative branch of the state government.*

23 ➔SECTION 3. A NEW SECTION OF KRS CHAPTER 7A IS CREATED TO
24 READ AS FOLLOWS:

25 *(1) The Public Pension Oversight Board shall be composed of the following thirteen*
26 *(13) members:*

27 *(a) Two (2) members of the General Assembly appointed by the Speaker of the*

House of Representatives, each of whom shall serve while a member of the House for the term for which he or she has been elected, and one (1) of whom the Speaker shall designate as co-chair;

(b) Two (2) members of the General Assembly appointed by the President of the Senate, each of whom shall serve while a member of the Senate for the term for which he or she has been elected, and one (1) of whom the President shall designate as co-chair;

(c) One (1) member of the General Assembly appointed by the Minority Floor Leader of the Senate, who shall serve while a member of the Senate for the term for which he or she has been elected;

(d) One (1) member of the General Assembly appointed by the Minority Floor Leader of the House of Representatives, who shall serve while a member of the House for the term for which he or she has been elected;

(e) One (1) individual appointed by the Speaker of the House of Representatives, who shall be certified as a chartered financial analyst (CFA) with at least ten (10) years of investment experience or who shall possess at least ten (10) years of retirement experience as defined by subsection (2) of this section;

(f) One (1) individual appointed by the President of the Senate, who shall be certified as a chartered financial analyst (CFA) with at least ten (10) years of investment experience or who shall possess at least ten (10) years of retirement experience as defined by subsection (2) of this section;

(g) The state budget director or his or her designee;

(h) The Auditor of Public Accounts or his or her designee;

(i) The Attorney General or his or her designee; and

(j) Two (2) individuals appointed by the Governor, one (1) of whom shall be certified as a chartered financial analyst (CFA) with at least ten (10) years

1 of investment experience and one (1) of whom shall possess at least ten (10)
 2 years of retirement experience as defined by subsection (2) of this section.

3 (2) For purposes of this section, "retirement experience" means:

4 (a) Experience in retirement or pension plan management;

5 (b) A certified public accountant with relevant experience in retirement or
 6 pension plan accounting;

7 (c) An actuary with relevant experience in retirement or pension plan
 8 consulting;

9 (d) An attorney licensed to practice law in the Commonwealth of Kentucky with
 10 relevant experience in retirement or pension plans; or

11 (e) A current or former university professor whose primary area of emphasis is
 12 economics or finance.

13 (3) Individuals appointed under subsection (1)(e), (f), and (j) of this section shall not:

14 (a) Be a member of the General Assembly;

15 (b) Be employed by a state agency of the Commonwealth of Kentucky or
 16 receiving a contractual payment for services rendered to a state agency of
 17 the Commonwealth of Kentucky that would conflict with his or her service
 18 to the board;

19 (c) Be a member or retired member of the Kentucky Retirement Systems; or

20 (d) Serve more than three (3) consecutive terms on the board.

21 (4) Any vacancy which may occur in the membership of the board shall be filled by
 22 the appointing authority who made the original appointment.

23 ➔SECTION 4. A NEW SECTION OF KRS CHAPTER 7A IS CREATED TO
 24 READ AS FOLLOWS:

25 (1) The co-chairs of the Public Pension Oversight Board shall have joint
 26 responsibilities for board meeting agendas and presiding at board meetings.

27 (2) On an alternating basis, each co-chair shall have the first option to set the

1 monthly meeting date. A monthly meeting may be canceled by agreement of both
 2 co-chairs. The board shall meet at least twice during each calendar year.

3 (3) Members of the board shall be entitled to reimbursement for expenses incurred in
 4 the performance of their duties.

5 (4) A majority of the entire membership of the Public Pension Oversight Board shall
 6 constitute a quorum, and all actions of the board shall be by vote of a majority of
 7 its entire membership.

8 (5) The Legislative Research Commission shall have exclusive jurisdiction over the
 9 employment of personnel necessary to carry out the provisions of Sections 1 to 7
 10 of this Act. Staff and operating costs of the Public Pension Oversight Board shall
 11 be provided from the budget of the Legislative Research Commission.

12 ➔SECTION 5. A NEW SECTION OF KRS CHAPTER 7A IS CREATED TO
 13 READ AS FOLLOWS:

14 The Public Pension Oversight Board shall have the authority to:

15 (1) Except as provided by KRS 61.661, require the Kentucky Retirement Systems, or
 16 any other state agency, to provide any and all information necessary to carry out
 17 the duties of the board, including any actuarial analysis. The cost of providing
 18 the information to the board, including any actuarial analysis, shall be included
 19 in the administrative budget of the Kentucky Retirement Systems or the state
 20 agency;

21 (2) Conduct public hearings in furtherance of its general duties, at which it may
 22 request the appearance of officials of any state agency and solicit the testimony of
 23 interested groups and the general public;

24 (3) Establish a uniform format for reports and data submitted to the board by the
 25 Kentucky Retirement Systems and the frequency and due dates for the reports
 26 and data;

27 (4) Request the Auditor of Public Accounts to perform a financial or special audit of

1 the Kentucky Retirement Systems; and

2 (5) Subject to selection and approval by the Legislative Research Commission, utilize
 3 the services of consultants, actuaries, managers, legal counsel, and auditors to
 4 render professional, managerial, and technical assistance, as needed.

5 ➔SECTION 6. A NEW SECTION OF KRS CHAPTER 7A IS CREATED TO
 6 READ AS FOLLOWS:

7 The Public Pension Oversight Board:

8 (1) Shall, from time to time, conduct an impartial review of all the laws governing
 9 the Kentucky Retirement Systems and recommend any changes it may find
 10 desirable with respect to benefits and administration, funding of benefits,
 11 investments of funds, and the improvement of language, structure, and
 12 organization of the statutes;

13 (2) Shall, once every five (5) years, review the benefits provided to employees who
 14 begin participating in the systems administered by Kentucky Retirement Systems
 15 on or after January 1, 2014, and recommend any changes to the provisions
 16 affecting these employees that are necessary to maintain the actuarial soundness
 17 of the systems;

18 (3) Shall review semiannually the investment programs of the Kentucky Retirement
 19 Systems, including a review of asset allocation targets and ranges, risk factors,
 20 asset class benchmarks, total return objectives, relative volatility, performance
 21 evaluation guidelines, investment policies, and securities litigation policies and
 22 recoveries from fraud or other corporate malfeasance. The board may establish
 23 an advisory committee, as provided by Section 7 of this Act, which may include
 24 investment professionals to assist in complying with the provisions of this
 25 subsection;

26 (4) May review any benefits, bylaws, policies, or charters established by the Kentucky
 27 Retirement Systems;

1 (5) Shall, at the request of the Speaker of the House of Representatives or the
 2 President of the Senate, evaluate proposed changes to laws affecting the
 3 Kentucky Retirement Systems and report to the Speaker or the President on the
 4 probable costs, actuarial implications, and desirability as a matter of public
 5 policy;

6 (6) May review all new or amended administrative regulations of the Kentucky
 7 Retirement Systems and provide comments to the Administrative Regulations
 8 Review Subcommittee established by KRS 13A.020;

9 (7) Shall research issues related to the Kentucky Retirement Systems as directed by
 10 the Legislative Research Commission; and

11 (8) Shall publish an annual report covering the board's evaluation and
 12 recommendations with respect to the operations of the Kentucky Retirement
 13 Systems. The report shall be submitted to the Legislative Research Commission
 14 no later than December 1 of each year and shall include at a minimum any
 15 legislative recommendations made by the board, a summary of the financial and
 16 actuarial condition of the Kentucky Retirement Systems, and an analysis of the
 17 adequacy of the current levels of funding.

18 ➔SECTION 7. A NEW SECTION OF KRS CHAPTER 7A IS CREATED TO
 19 READ AS FOLLOWS:

20 The officers and personnel of any state agency and any other person may serve at the
 21 request of the board upon any advisory committees that the board may create. State
 22 officers and personnel may serve upon these advisory committees without forfeiture of
 23 office or employment and with no loss or diminution in the compensation, status,
 24 rights, and privileges which they otherwise enjoy.

25 ➔SECTION 8. A NEW SECTION OF KRS 16.505 TO 16.652 IS CREATED TO
 26 READ AS FOLLOWS:

27 (1) A member of the State Police Retirement System, a member of the Kentucky

Employees Retirement System in a hazardous duty position covered by this section, or a member of the County Employees Retirement System in a hazardous duty position covered by this section, whose participation begins on or after January 1, 2014, shall receive the retirement benefits provided by this section in lieu of the retirement benefits provided under Sections 38 and 39 of this Act. The retirement benefit provided by this section shall be known as the hybrid cash balance plan and shall operate as another benefit tier within the State Police Retirement System, the Kentucky Employees Retirement System, and the County Employees Retirement System.

(2) The hybrid cash balance plan shall provide a retirement benefit based upon the member's accumulated account balance, which shall include:

(a) Contributions made by the member as provided by KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852, except for employee contributions prescribed by KRS 61.702(2)(b);

(b) An employer pay credit of seven and one-half percent (7.5%) of the creditable compensation earned by the employee for each month the employee is contributing to the hybrid cash balance plan provided by this section; and

(c) Interest credits added annually to the member's accumulated account balance as provided by this section.

(3) (a) Member contributions and employer pay credits as provided by subsection (2)(a) and (b) of this section shall be credited to the member's account monthly as contributions are reported and posted to the system in accordance with KRS 61.675 and 78.625.

(b) Interest credits, as provided by subsection (2)(c) of this section, shall be credited to the member's account annually on June 30 of each fiscal year, as determined by subsection (4) of this section.

(4) (a) On June 30 of each fiscal year, the system shall determine if the member contributed to the hybrid cash balance plan during the fiscal year.

(b) If the member contributed to the hybrid cash balance plan during the fiscal year, the interest credit added to the member's account for that fiscal year shall be determined by multiplying the member's accumulated account balance on June 30 of the preceding fiscal year by a percentage increase equal to:

1. Four percent (4%); plus

2. Seventy-five percent (75%) of the system's geometric average net investment return in excess of a four percent (4%) rate of return.

(c) If the member did not contribute to the hybrid cash balance plan during the fiscal year, the interest credit added to the member's account for that fiscal year shall be determined by multiplying the member's accumulated account balance on June 30 of the preceding fiscal year by four percent (4%).

(d) For purposes of this subsection, "system's geometric average net investment return":

1. Means the annual average geometric investment return, net of administrative and investment fees and expenses, over the last five (5) fiscal years as of the date the interest is credited to the member's account; and

2. Shall be expressed as a percentage and based upon the system in which the member has an account.

(e) No employer pay credits or interest credits shall be provided to a member who has taken a refund of contributions as provided by KRS 61.625 or who has retired and annuitized his or her accumulated account balance as prescribed by this section.

(5) (a) Upon termination of employment, a member who has less than five (5)

years of service credited under KRS 16.543(1), 61.543(1), and 78.615(1), who elects to take a refund of his or her accumulated account balance as provided by KRS 61.625, shall forfeit the accumulated employer credit, and shall only receive a refund of his or her accumulated contributions.

(b) Upon termination of employment, a member who has five (5) or more years of service credited under KRS 16.543(1), 61.543(1), and 78.615(1), who elects to take a refund of his or her accumulated account balance as provided by KRS 61.625, shall receive a full refund of his or her accumulated account balance.

(6) A member participating in the hybrid cash balance plan provided by this section may retire:

(a) At his or her normal retirement date, provided he or she has earned five (5) or more years of service credited under KRS 16.543(1), 61.543(1) or 78.615(1) or another state-administered retirement system; or

(b) At any age, provided he or she has earned twenty-five (25) or more years of service credited under KRS 16.543(1), 61.543(1), or 78.615(1) or another state-administered retirement system.

(7) A member eligible to retire under subsection (6) of this section may elect to:

(a) Receive a monthly retirement allowance payable for life by having his or her accumulated account balance annuitized by the retirement systems in accordance with the actuarial assumptions and actuarial methods adopted by the board and in effect on the member's retirement date;

(b) Receive the actuarial equivalent of his or her retirement allowance calculated under paragraph (a) of this subsection payable under one (1) of the options set forth in Section 63 of this Act, except for the option provided by subsection (11) of Section 63 of this Act; or

(c) Take a refund of his or her account balance as provided by KRS 61.625.

(8) The provisions of this section shall not apply to members who began participating in the Kentucky Employees Retirement System, the County Employees Retirement System, or the State Police Retirement System prior to January 1, 2014.

→SECTION 9. A NEW SECTION OF KRS 61.510 TO 61.705 IS CREATED TO READ AS FOLLOWS:

(1) A member of the Kentucky Employees Retirement System or County Employees Retirement System who is not participating in a hazardous duty position as provided by KRS 61.592, whose participation in the systems begins on or after January 1, 2014, shall receive the retirement benefits provided by this section in lieu of the retirement benefits provided under Sections 52 and 58 of this Act. The retirement benefit provided by this section shall be known as the hybrid cash balance plan and shall operate as another benefit tier within the Kentucky Employees Retirement System and the County Employees Retirement System.

(2) The hybrid cash balance plan shall provide a retirement benefit based upon the member's accumulated account balance, which shall include:

(a) Contributions made by the member as provided by KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852, except for employee contributions prescribed by KRS 61.702(2)(b);

(b) An employer pay credit of four percent (4%) of the creditable compensation earned by the employee for each month the employee is contributing to the hybrid cash balance plan provided by this section; and

(c) Interest credits added annually to the member's accumulated account balance as provided by this section.

(3) (a) Member contributions and employer pay credits as provided by subsection (2)(a) and (b) of this section shall be credited to the member's account monthly as contributions are reported and posted to the system in

accordance with KRS 61.675 and 78.625.

(b) Interest credits, as provided by subsection (2)(c) of this section, shall be credited to the member's account annually on June 30 of each fiscal year, as determined by subsection (4) of this section.

(4) (a) On June 30 of each fiscal year, the system shall determine if the member contributed to the hybrid cash balance plan during the fiscal year.

(b) If the member contributed to the hybrid cash balance plan during the fiscal year, the interest credit added to the member's account for that fiscal year shall be determined by multiplying the member's accumulated account balance on June 30 of the preceding fiscal year by a percentage increase equal to:

1. Four percent (4%); plus

2. Seventy-five percent (75%) of the system's geometric average net investment return in excess of a four percent (4%) rate of return.

(c) If the member did not contribute to the hybrid cash balance plan during the fiscal year, the interest credit added to the member's account for that fiscal year shall be determined by multiplying the member's accumulated account balance on June 30 of the preceding fiscal year by four percent (4%).

(d) For purposes of this subsection, "system's geometric average net investment return":

1. Means the annual average geometric investment return, net of administrative and investment fees and expenses, over the last five (5) fiscal years as of the date the interest is credited to the member's account; and

2. Shall be expressed as a percentage and based upon the system in which the member has an account.

(e) No employer pay credits or interest credits shall be provided to a member

1 who has taken a refund of contributions as provided by KRS 61.625 or who
 2 has retired and annuitized his or her accumulated account balance as
 3 prescribed by this section.

4 (5) (a) Upon termination of employment, a member who has less than five (5)
 5 years of service credited under KRS 16.543(1), 61.543(1), and 78.615(1),
 6 who elects to take a refund of his or her accumulated account balance as
 7 provided by KRS 61.625, shall forfeit the accumulated employer credit, and
 8 shall only receive a refund of his or her accumulated contributions.

9 (b) Upon termination of employment, a member who has five (5) or more years
 10 of service credited under KRS 16.543(1), 61.543(1), and 78.615(1), who
 11 elects to take a refund of his or her accumulated account balance as
 12 provided by KRS 61.625, shall receive a full refund of his or her
 13 accumulated account balance.

14 (6) A member participating in the hybrid cash balance plan provided by this section
 15 may retire:

16 (a) At his or her normal retirement date, provided he or she has earned five (5)
 17 or more years of service credited under KRS 16.543(1), 61.543(1), 78.615(1),
 18 or another state-administered retirement system; or

19 (b) If the member is at least age fifty-seven (57) and has an age and years of
 20 service total of at least eighty-seven (87) years. The years of service used to
 21 determine eligibility for retirement under this paragraph shall only include
 22 years of service credited under KRS 16.543(1), 61.543(1), 78.615(1), or
 23 another state-administered retirement system.

24 (7) A member eligible to retire under subsection (6) of this section may elect to:

25 (a) Receive a monthly retirement allowance payable for life by having his or
 26 her accumulated account balance annuitized by the retirement systems in
 27 accordance with the actuarial assumptions and actuarial methods adopted

by the board and in effect on the member's retirement date;

(b) Receive the actuarial equivalent of his or her retirement allowance calculated under paragraph (a) of this subsection payable under one (1) of the options set forth in Section 63 of this Act, except for the option provided by subsection (11) of Section 63 of this Act; or

(c) Take a refund of his or her account balance as provided by KRS 61.625.

(8) The provisions of this section shall not apply to members who began participating in the Kentucky Employees Retirement System or the County Employees Retirement System prior to January 1, 2014.

→SECTION 10. A NEW SECTION OF KRS 61.510 TO 61.705 IS CREATED TO READ AS FOLLOWS:

(1) For purposes of this section, "bona fide promotion or career advancement":

(a) Means a professional advancement in substantially the same line of work held by the employee in the four (4) years immediately prior to the final five (5) fiscal years preceding retirement or a change in employment position based on the training, skills, education, or expertise of the employee that imposes a significant change in job duties and responsibilities to clearly justify the increased compensation to the member; and

(b) Does not include any circumstance where an elected official participating in the Kentucky Employees Retirement System or the County Employees Retirement System takes a position of employment with a different employer participating in any of the state-administered retirement systems.

(2) For employees retiring on or after January 1, 2014, the last participating employer shall be required to pay for any additional actuarial costs resulting from annual increases in an employee's creditable compensation greater than ten percent (10%) over the employee's last five (5) fiscal years of employment that are not the direct result of a bona fide promotion or career advancement. The cost

1 shall be determined by the retirement systems and the system may promulgate
 2 administrative regulations in accordance with KRS Chapter 13A to administer
 3 this section.

4 (3) (a) The Kentucky Retirement Systems shall determine whether increases in
 5 creditable compensation during the last five (5) fiscal years of employment
 6 prior to retirement constitute a bona fide promotion or career advancement.

7 (b) Lump-sum payments for compensatory time paid to an employee upon
 8 termination of employment shall be exempt from the provisions of this
 9 section.

10 (4) Kentucky Retirement Systems shall be required to answer inquiries from
 11 participating employers regarding this section. Upon request of the employer
 12 prior to the employee's change of position or hiring, the systems shall make a
 13 determination that is binding to the systems as to whether or not a change of
 14 position or hiring constitutes a bona fide promotion or career advancement.

15 (5) Any employer who disagrees with a determination made by the system in
 16 accordance with this section may request a hearing and appeal the decision in
 17 accordance with subsection (16) of Section 65 of this Act. The systems shall not
 18 charge interest, or consider the costs due under this section as delinquent
 19 contributions, during the pendency of the hearing process and appeal.

20 (6) For any additional actuarial costs charged to the employer under this section, the
 21 systems shall allow the employer to pay the costs over a period, not to exceed one
 22 (1) year, without interest.

23 ➔SECTION 11. A NEW SECTION OF KRS 61.510 TO 61.705 IS CREATED
 24 TO READ AS FOLLOWS:

25 (1) The annual retirement allowance for a member of the Kentucky Employees
 26 Retirement System shall not exceed the maximum benefit as set forth in the
 27 Internal Revenue Code.

1 (2) (a) The retirement allowance for a member of the Kentucky Employees
 2 Retirement System shall be calculated by using the member's known
 3 creditable compensation prior to his or her last month's employment and an
 4 estimate of his or her creditable compensation during the last month he or
 5 she was employed. Based upon this calculation, the State Treasurer shall be
 6 requested to issue the initial retirement payment.

7 (b) A new calculation shall be made when the official report has been received
 8 of the member's creditable compensation during his or her last month's
 9 employment. However, the retirement allowance determined in accordance
 10 with paragraph (a) of this subsection shall be the official retirement
 11 allowance unless the new calculation derives an amount which is two
 12 dollars (\$2) greater or less than the amount of the initial retirement
 13 payment. If the member or beneficiary chose an actuarial equivalent refund
 14 payment option, the amount of estimated retirement allowance shall be the
 15 official retirement allowance unless the new calculation produces an
 16 amount which is one hundred dollars (\$100) greater or less than the
 17 amount of the initial retirement payment.

18 ➔ SECTION 12. A NEW SECTION OF KRS 21.345 TO 21.580 IS CREATED
 19 TO READ AS FOLLOWS:

20 (1) A member of the Legislators' Retirement Plan or the Judicial Retirement Plan,
 21 whose participation in the Legislators' Retirement Plan or the Judicial
 22 Retirement Plan begins on or after January 1, 2014, shall receive the retirement
 23 benefits provided by this section in lieu of the retirement benefits provided under
 24 Sections 15 and 24 of this Act. The retirement benefit provided by this section
 25 shall be known as the hybrid cash balance plan and shall operate as another
 26 benefit tier within the Legislators' Retirement Plan and the Judicial Retirement
 27 Plan.

(2) The hybrid cash balance plan shall provide a retirement benefit based upon the member's accumulated account balance, which shall include:

(a) Contributions made by the member as provided by KRS 6.500 to 6.577 and 21.345 to 21.580, except for employee contributions prescribed by subsection (1)(d)2.b. of Section 13 and subsection (1)(a)3.b. of Section 20 of this Act;

(b) An employer pay credit of four percent (4%) of the creditable compensation earned by the employee for each month the employee is contributing to the hybrid cash balance plan provided by this section; and

(c) Interest credits added annually to the member's accumulated account balance as provided by this section.

(3) (a) Member contributions and employer pay credits as provided by subsection (2)(a) and (b) of this section shall be credited to the member's account monthly as contributions are reported and posted to the plan.

(b) Interest credits, as provided by subsection (2)(c) of this section, shall be credited to the member's account annually on June 30 of each fiscal year, as determined by subsection (4) of this section.

(4) (a) On June 30 of each fiscal year, the system shall determine if the member contributed to the hybrid cash balance plan during the fiscal year.

(b) If the member contributed to the hybrid cash balance plan during the fiscal year, the interest credit added to the member's account for that fiscal year shall be determined by multiplying the member's accumulated account balance on June 30 of the preceding fiscal year by a percentage increase equal to:

1. Four percent (4%); plus

2. Seventy-five percent (75%) of the plan's geometric average net investment return in excess of a four percent (4%) rate of return.

(c) If the member did not contribute to the hybrid cash balance plan during the fiscal year, the interest credit added to the member's account for that fiscal year shall be determined by multiplying the member's accumulated account balance on June 30 of the preceding fiscal year by four percent (4%).

(d) For purposes of this subsection, "plan's geometric average net investment return":

1. Means the annual average geometric investment return, net of administrative and investment fees and expenses, over the last five (5) fiscal years as of the date the interest is credited to the member's account; and

2. Shall be expressed as a percentage and based upon the plan in which the member has an account.

(e) No employer pay credits or interest credits shall be provided to a member who has taken a refund of contributions as provided by KRS 21.460 or who has retired and annuitized his or her accumulated account balance as prescribed by this section.

(5) (a) Upon termination of employment, a member who has less than five (5) years of service credited under the Legislators' Retirement Plan and the Judicial Retirement Plan, who elects to take a refund of his or her accumulated account balance as provided by KRS 21.460, shall forfeit the accumulated employer credit, and shall only receive a refund of his or her accumulated contributions.

(b) Upon termination of employment, a member who has five (5) or more years of service credited under the Legislators' Retirement Plan and the Judicial Retirement Plan, who elects to take a refund of his or her accumulated account balance as provided by KRS 21.460, shall receive a full refund of his or her accumulated account balance.

(6) A member participating in the hybrid cash balance plan provided by this section may retire:

(a) Upon reaching normal retirement age, provided he or she has earned five (5) or more years of service credited under the Legislators' Retirement Plan and the Judicial Retirement Plan, or another state-administered retirement system; or

(b) If the member is at least age fifty-seven (57) and has an age and years of service total of at least eighty-seven (87) years. The years of service used to determine eligibility for retirement under this paragraph shall only include years of service credited under the Legislators' Retirement Plan and the Judicial Retirement Plan, or another state-administered retirement system.

(7) A member eligible to retire under subsection (6) of this section may elect to:

(a) Receive a monthly retirement allowance payable for life by having his or her accumulated account balance annuitized by the retirement systems in accordance with the actuarial assumptions and actuarial methods adopted by the board and in effect on the member's retirement date;

(b) Receive the actuarial equivalent of his or her retirement allowance calculated under paragraph (a) of this subsection payable under one (1) of the options set forth in subsection (8)(b) of Section 27 of this Act; or

(c) Take a refund of his or her account balance as provided by KRS 21.460.

(8) The board of the Judicial Form Retirement System shall establish individual members' accounts for each member participating in the hybrid cash balance plan as provided by this section. The Judicial Form Retirement System may promulgate administrative regulations in accordance with KRS Chapter 13A to administer the provisions of this section.

(9) The provisions of this section shall not apply to members who began participating in the Legislators' Retirement Plan or the Judicial Retirement Plan prior to

January 1, 2014.

→ Section 13. KRS 6.505 is amended to read as follows:

- (1) **(a)** Each legislator in office on July 1, 1980, may within thirty (30) days after that date, and any legislator thereafter taking office may within thirty (30) days after the date thereof, elect to make monthly contributions to the Legislators' Retirement Plan, in an amount equal to five percent (5%) of his monthly creditable compensation, as defined in KRS 61.510(13). The election shall be effective to establish membership in the plan as of July 1, 1980, or as of the date from which the thirty (30) day period is measured, as the case may be. Provided, however, that any legislator who was in office on July 1, 1980, and who is in office at the time he makes the election may, after the expiration of the thirty (30) day period and until May 1, 1982, make the election, in which event he shall pay to the Legislators' Retirement Plan, for the months between July 1, 1980, and the date of his election such sum as, when added to any member's contribution by him that is transferred from another retirement system under KRS 6.535, will equal the member's contribution required by this section. If the member makes his election after February 1, 1981, he shall in addition pay to the plan interest on the foregoing sum, at six percent (6%) per annum, calculated as if the sum consisted of equal monthly payments, one (1) of which was due at the end of each month between July 1, 1980, and the date the election was made. The election shall be addressed to and filed with the secretary of the Finance and Administration Cabinet and shall constitute an authorization to the secretary to thereafter cause to be deducted from the member's monthly creditable compensation an amount equal to five percent (5%) thereof, as a voluntarily elected contribution by the member towards the funding of the Legislators' Retirement Plan.

(b) 1. For a member who begins participating in the Legislators' Retirement

1 Plan prior to January 1, 2014, the^[Such] election shall operate to create
 2 an inviolable contract between such member and the Commonwealth,
 3 guaranteeing to and vesting in the member the rights and benefits
 4 provided for under KRS 6.515 to 6.530.

5 2. a. For members who begin participating in the Legislators'
 6 Retirement Plan on or after January 1, 2014, the General
 7 Assembly reserves the right to amend, suspend, or reduce the
 8 benefits and rights provided under KRS 6.500 to 6.577 if, in its
 9 judgment, the welfare of the Commonwealth so demands, except
 10 that the amount of benefits the member has accrued at the time
 11 of amendment, suspension, or reduction shall not be affected.

12 b. For purposes of this subparagraph, the amount of benefits the
 13 member has accrued at the time of amendment, suspension, or
 14 reduction shall be limited to the accumulated account balance
 15 the member has accrued at the time of amendment, suspension,
 16 or reduction.

17 c. The provisions of this subsection shall not be construed to limit
 18 the General Assembly's authority to change any other benefit or
 19 right specified by KRS 6.500 to 6.577, for members who begin
 20 participating in the Legislators' Retirement Plan on or after
 21 January 1, 2014, except the benefits specified by subparagraph
 22 2.b. of this paragraph.

23 3. The provisions of this paragraph shall not be construed to limit the
 24 General Assembly's authority to amend, reduce, or suspend the
 25 benefits and rights of members of the Legislators' Retirement Plan as
 26 provided by KRS 6.500 to 6.577 that the General Assembly had the
 27 authority to amend, reduce, or suspend, prior to the effective date of

1 this Act.

2 (c) An election once made under this section either to participate or not to
 3 participate in the Legislators' Retirement Plan, shall be considered to apply to
 4 all future service as a legislator, whether in the same or a different office as a
 5 legislator, and whether or not it is in successive terms.

6 (d) Notwithstanding the provisions of this subsection:~~{,}~~

7 1. A legislator who becomes a member of the Legislators' Retirement Plan
 8 on or after September 1, 2008, but prior to January 1, 2014, shall make
 9 monthly contributions to the Legislators' Retirement Plan in an amount
 10 equal to six percent (6%) of his monthly creditable compensation, as
 11 defined in KRS 61.510(13).

12 2. A legislator who becomes a member of the Legislators' Retirement
 13 Plan on or after January 1, 2014, shall make monthly contributions to
 14 the Legislators' Retirement Plan in an amount equal to six percent
 15 (6%) of his or her monthly creditable compensation, as defined in
 16 KRS 61.510(13), of which:

17 a. Five percent (5%) of his or her monthly creditable
 18 compensation, as defined in KRS 61.510(13), shall be used to
 19 provide funding for benefits provided under Section 12 of this
 20 Act; and

21 b. One percent (1%) of his or her monthly creditable compensation,
 22 as defined in KRS 61.510(13), shall be used exclusively to help
 23 fund retiree health benefits as provided by Section 18 of this Act
 24 and shall not be refunded to the member if the member
 25 withdraws his or her accumulated account balance as provided
 26 by Section 30 of this Act. The amounts deducted under this
 27 subdivision shall be credited to an account established pursuant

1 to 26 U.S.C. sec. 401(h), within the fund established by KRS
2 6.350.

3 (2) A legislator entitled to elect membership in the retirement system who failed to
4 elect membership within thirty (30) days after taking office may elect membership
5 not later than August 31, 2005. An election, upon being made pursuant to this
6 section, shall operate to create an inviolable contract between the member entitled
7 to elect membership under this subsection and the Commonwealth, guaranteeing
8 to and vesting in the member the rights and benefits provided for under the terms
9 and conditions of KRS 6.500 to 6.577.

10 (3) When any legislator makes a delayed election of membership in the Legislators'
11 Retirement Plan under subsection (2) of this section, his active membership in the
12 Kentucky Employees Retirement System shall terminate, as of the date his
13 membership in the Legislators' Retirement Plan becomes effective, and any credit in
14 the Kentucky Employees Retirement System, earned for service as a legislator,
15 which he then has or which he subsequently regains while being an active member
16 of the Legislators' Retirement Plan, shall be transferred to and counted as service
17 credit in the Legislators' Retirement Plan, and shall no longer constitute credit in the
18 Kentucky Employees Retirement System, except for the purpose of validating any
19 other credit in that system if the member pays the difference, if any, between the
20 amount transferred from the Kentucky Employees Retirement System and the
21 actuarial value of the transferred service. However, any credit he then has in the
22 Kentucky Employees Retirement System, earned for service in any capacity other
23 than a legislator, shall not be affected. No person may attain credit in more than one
24 (1) of the retirement plans or systems mentioned in this section for the same period
25 of service. When credit is transferred from the Kentucky Employees Retirement
26 System to the Legislators' Retirement Plan, the Kentucky Employees Retirement
27 System shall transfer to the Legislators' Retirement Fund an amount equal to the

1 employee's and employer's contributions attributable to that credit, together with
2 interest on the contributions from the date made to the date of transfer at the
3 actuarially assumed interest rate of the Kentucky Employees Retirement System in
4 effect at the time the contributions were made, compounded annually at that same
5 interest rate.

6 (4) The state shall, solely for the purpose of compliance with Section 414(h) of the
7 United States Internal Revenue Code, pick up the employee contributions required
8 by this section for all compensation earned after August 1, 1982, and the
9 contributions so picked up shall be treated as employer contributions in determining
10 tax treatment under the United States Internal Revenue Code and KRS 141.010(10).
11 The picked-up employee contribution shall satisfy all obligations to the retirement
12 system satisfied prior to August 1, 1982, by the employee contribution, and the
13 picked-up employee contribution shall be in lieu of an employee contribution. The
14 state shall pay these picked-up employee contributions from the same source of
15 funds which is used to pay earnings to the employee. The employee shall have no
16 option to receive the contributed amounts directly instead of having them paid by
17 the employer to the system. Employee contributions picked up after August 1, 1982,
18 shall be treated for all purposes of KRS 6.500 to 6.535 in the same manner and to
19 the same extent as employee contributions made prior to August 1, 1982.

20 (5) When any legislator elects membership in the Legislators' Retirement Plan in
21 accordance with this section, his active membership in the Kentucky Employees
22 Retirement System, State Police Retirement System, County Employees Retirement
23 System, or Teachers' Retirement System shall terminate, as of the date his
24 membership in the Legislators' Retirement Plan becomes effective, and any credit in
25 such other system or systems, earned for service as a legislator, which he then has or
26 which he subsequently regains while being an active member of the Legislators'
27 Retirement Plan, shall be transferred to and counted as service credit in the

Legislators' Retirement Plan, and shall no longer constitute credit in such other retirement system except for the purpose of validating any other credit in that system. However, any credit he then has in such other retirement system, earned for service in any capacity other than a legislator, shall not be affected. No person may attain credit in more than one (1) of the retirement plans or systems mentioned in this section, for the same period of service.

- (6) A member of the Legislators' Retirement Plan who would be entitled, under KRS 61.552, to repurchase credit in the Kentucky Employees Retirement System, for previous service as a legislator, which credit had been lost by refund of contributions, may pay the amount required by KRS 61.552 directly to the Legislators' Retirement Plan and thereby obtain credit in that plan for such service, rather than making payment to the Kentucky Employees Retirement System for credit which would be transferred to the Legislators' Retirement Plan. In such event, the Kentucky Employees Retirement System shall transfer to the Legislators' Retirement Plan an amount equal to the employer's contributions that originally were made to the Kentucky Employees Retirement System for the regained service credit, with interest as provided in KRS 6.535. Six (6) months' current service shall be required in the Legislators' Retirement Plan in order for the repurchased credit to remain in force, the same as provided in KRS 61.552. *Service purchased under this subsection on or after January 1, 2014, shall not be used to determine the member's participation date in the Legislators' Retirement Plan.*

➔Section 14. KRS 6.515 is amended to read as follows:

- (1) Service credit in the Legislators' Retirement Plan shall be acquired only by service as a legislator after July 1, 1980, while a member of the plan, by transfer of credit as provided in KRS 6.505, or by purchase or transfer of credit as provided in this section.
- (2) (a) 1. Any active member *who began participating in*~~{of}~~ the Legislators'

1 Retirement Plan prior to January 1, 2014, who has at least five (5) years
 2 of service credit in the Legislators' Retirement Plan, or his beneficiary
 3 acting in his place if the member dies prior to retirement, shall receive
 4 service credit for a maximum of four (4) years for his period of service
 5 in the Armed Forces of the United States, if his discharge therefrom is
 6 honorable and he has not been credited with the service by any other
 7 retirement system administered by the Commonwealth of Kentucky, by
 8 paying the retirement system thirty-five percent (35%) of the actuarial
 9 cost of the service as determined by the board of trustees, based on
 10 assumptions used in the most recent biennial evaluation. The service
 11 credit shall be awarded and the cost shall be determined in conformity
 12 with the rate which applies to the legislator in question under KRS
 13 6.520. Service credit awarded under this subsection shall be equivalent,
 14 for all purposes of the Legislators' Retirement Plan, to other service
 15 credit earned in the plan.

- 16 2. Any active member who began participating in~~of~~ the Legislators'
 17 Retirement Plan prior to January 1, 2014, who has at least five (5) years
 18 of service credit in the Legislators' Retirement Plan may purchase and
 19 receive service credit for one (1) month of service for each six (6)
 20 months of service in the reserves or the National Guard by paying the
 21 retirement system one hundred percent (100%) of the actuarial cost of
 22 the service as determined by the board of trustees, based on the
 23 assumptions used in the most recent biennial evaluation. The service
 24 credit shall be awarded and the cost shall be determined in conformity
 25 with the rate that applies to the legislator in question under KRS 6.520.
 26 Service credit awarded as provided in this subsection shall be
 27 equivalent, for all purposes of the Legislators' Retirement Plan, to other

1 service credit earned in the plan. The service in the military reserves or
2 the National Guard shall be treated as service earned prior to
3 participation in the plan. The purchase can be made by the member by
4 transfer, if authorized under subsection (7)(d) of this section, or in a
5 lump-sum payment or by installment payments, as set forth in paragraph
6 (b) of this subsection. The payment shall not be picked up by the
7 employer as provided in KRS 6.505(4).

8 (b) The member, if the member began participating in the Legislators'
9 Retirement Plan prior to January 1, 2014, may purchase all of his military
10 service credit at one (1) time, or in increments of no less than one (1) year,
11 unless there is a fraction remaining after all full years have been paid for.
12 Payment of the total or the increment may be made by lump-sum or by
13 monthly installments through payroll deduction. If the member chooses to pay
14 by installment, the cost of the service credit shall be computed in the same
15 manner as for a lump-sum payment, which shall be the principal. Interest, at
16 the annual actuarial rate in effect at the time each payment is made, shall be
17 added to each monthly payment at the rate of one-twelfth (1/12) of the annual
18 interest rate applied to the declining principal amount. Installment purchases
19 shall be for no less than twelve (12) nor more than sixty (60) months. If the
20 member leaves office before completing his installment payments, he may
21 satisfy his contract by a lump-sum payment of the remaining principal
22 amount, but no further installment payments shall be accepted thereafter. In
23 this case, the member shall be credited with the military service credit for
24 which he has paid, in years or months but no fraction less than a full month,
25 and any payment remaining after credit for full months has been awarded shall
26 be returned to the member.

27 (c) The payments made under this section shall be considered accumulated

1 contributions of the member and shall not be picked up by the employer under
 2 KRS 6.505(4).

3 (3) In the event of divorce, rights to benefits shall be considered marital property
 4 subject to the provisions of KRS 403.190.

5 (4) A member who began participating in the Legislators' Retirement Plan prior to
 6 January 1, 2014, who has qualified for benefits under KRS 6.525(1) may transfer
 7 to the Legislators' Retirement Plan up to ten (10) years of service credit which he
 8 has earned in a retirement system administered by Kentucky Retirement Systems. If
 9 the member elects to transfer his service credit, the system from which the transfer
 10 is made shall transfer to the legislators' retirement fund an amount equal to the
 11 employee's and employer's contributions attributable to that credit, together with
 12 interest on the contributions from the date made to date of transfer at the actuarially
 13 assumed interest rate of the system from which the transfer is made in effect at the
 14 time the contributions were made, compounded annually at that same interest rate.
 15 The member shall be entitled to the transferred service credit, at the rate at which he
 16 qualifies under KRS 6.520, when he pays the total difference between the amount of
 17 the funds transferred and the cost of the credit to the Legislators' Retirement Plan, as
 18 determined by the actuary for the Legislators' Retirement Plan. The member may
 19 pay by transfer, if authorized under subsection (7)(d) of this section, by lump sum,
 20 or by increments, as provided for in this section. The payments made under this
 21 section shall be considered accumulated contributions of the member and shall not
 22 be picked up by the employer under KRS 6.505(4).

23 (5) (a) Any active member who began participating in~~of~~ the Legislators
 24 Retirement Plan prior to January 1, 2014, who is vested in the Legislators
 25 Retirement Plan under KRS 6.525 shall receive service credit for a maximum
 26 of four (4) years each for his period of service as a Domestic Relations
 27 Commissioner, a Master Commissioner, or a District Court Trial

1 Commissioner of the Commonwealth of Kentucky, or a combination thereof,
2 if the service has not been credited to the member's account with any other
3 public defined benefit plan, by paying the retirement system one hundred
4 percent (100%) of the actuarial cost of the service as determined by the board
5 of trustees, based on assumptions used in the most recent biennial evaluation.
6 The period of service to be purchased shall be certified to the board of trustees
7 by the custodian of the records. The service credit shall be awarded and the
8 cost shall be determined in conformity with the rate that applies to the
9 member in question under KRS 6.520. Service credit awarded under this
10 subsection shall be equivalent, for all purposes of the Legislators Retirement
11 Plan, to other service credit earned in the plan. The member may pay by
12 transfer, by lump sum, or by increments as set forth in this section. The
13 payments made under this section shall be considered accumulated
14 contributions of the member and shall not be picked up by the employer under
15 KRS 6.505(4).

- 16 (b) Any active member who began participating in~~of~~ the Legislators
17 Retirement Plan prior to January 1, 2014, who is vested in the Legislators
18 Retirement Plan under KRS 6.525, shall receive service credit for his period
19 of service to the United States Government, other than service in the Armed
20 Forces, if the service has not been credited to the member's account with any
21 other public defined benefit plan, by paying the retirement system one
22 hundred percent (100%) of the actuarial cost of the service as determined by
23 the board of trustees, based on assumptions used in the most recent biennial
24 evaluation. The period of service to be purchased shall be certified to the
25 board of trustees by the custodian of the records. The service credit shall be
26 awarded and the cost shall be determined in conformity with the rate that
27 applies to the member in question under KRS 6.520. Service credit awarded

under this subsection shall be equivalent, for all purposes of the Legislators Retirement Plan, to other service credit earned in the plan. The member may pay by transfer, by lump sum, or by increments as set forth in this section. The payments made under this section shall be considered accumulated contributions of the member and shall not be picked up by the employer under KRS 6.505(4).

- (c) Any member who began participating in~~of~~ the Legislators Retirement Plan prior to January 1, 2014, who was~~is~~ in office on June 21, 2001, and who was~~is~~ in active contributing status to the applicable retirement plan on June 21, 2001, and who has at least one hundred eighty (180) months of service credit may purchase a combined maximum total of five (5) years of retirement service credit that is not otherwise purchasable, by paying the retirement system one hundred percent (100%) of the actuarial cost of the service as determined by the board of trustees, based on assumptions used in the most recent biennial evaluation. The member shall be entitled to the service credit at the rate at which he qualifies under KRS 6.520. Service credit awarded under this subsection shall be equivalent, for all purposes of the Legislators Retirement Plan, to other service credit earned in the plan, except that the service purchased under this subsection shall not be used in determining a retirement allowance until the member has accrued at least two hundred forty (240) months of service, excluding service purchased under this subsection. If the member does not accrue at least two hundred forty (240) months of service, excluding service purchased under this subsection, then upon retirement, death, or written request following termination, the payment shall be refunded. The member may pay by transfer, by lump sum, or by increments as set forth in this section. The payments made under this section shall be considered accumulated contributions of the member and shall not be picked

up by the employer under KRS 6.505(4).

- (d) A member who began participating in~~of~~ the Legislators Retirement Plan prior to January 1, 2014, may purchase service credit under the provisions of this section by transferring funds through a direct trustee-to-trustee transfer as permitted under the applicable sections of the Internal Revenue Code and any regulations or rulings issued thereunder or through a direct rollover as contemplated by and permitted under 26 U.S.C. sec. 401(a)(31) and any regulations or rulings issued thereunder. Service credit may also be purchased by a rollover of funds pursuant to and permitted under the rules specified in 26 U.S.C. sec. 402(c) and 26 U.S.C. sec. 408(d)(3). The Legislators Retirement Fund shall accept the transfer or rollover to the extent permitted under the rules specified in the applicable provisions of the Internal Revenue Code and any regulations and rulings issued thereunder. The amount shall be credited to the individual member's ~~contribution~~ account and shall be considered accumulated contributions of the member and shall not be picked up by the employer under KRS 6.505(4).

➔Section 15. KRS 6.520 is amended to read as follows:

- (1) A member of the Legislators' Retirement Plan who retires on or after his normal retirement date shall receive a service retirement allowance, payable monthly during his lifetime, in an amount per month equal to three and fifty one-hundredths percent (3.50%) of his final compensation multiplied by the number of years of his service, but in no event to exceed one hundred percent (100%) of final compensation. For this purpose, "final compensation" means the average monthly creditable compensation as determined in KRS 61.510(13) of the member for services as a legislator for the three (3) years during which the member had the highest creditable legislative compensation.
- (2) A member shall have rights, with respect to retirement before reaching normal

1 retirement date in the Legislators' Retirement Plan, identical in terms with those
2 rights provided in KRS 21.400(2) and (3) in the Judicial Retirement Plan for
3 members of that plan, except that the reduction in a legislators' service retirement
4 allowance for early retirement shall be at the rate of five percent (5%) of the
5 allowance for each year that retirement precedes the normal retirement date.

6 (3) Subsections (1) and (2) of this section to the contrary notwithstanding, each
7 legislator in office on July 1, 1982, that is a member of the Legislators' Retirement
8 Plan, who retires on or after his normal retirement date, shall receive a service
9 retirement allowance, payable monthly, on a formula equal to that of a justice or
10 judge of the Court of Justice with an equivalent service entrance date, but in no
11 event less than that specified in subsection (1) of this section, of his final
12 compensation multiplied by the number of years of his service, but in no event to
13 exceed one hundred percent (100%) of his final compensation. For this purpose,
14 "final compensation" means the average monthly creditable compensation as
15 determined in KRS 61.510(13) of the three (3) years during which the member had
16 the highest creditable legislative compensation.

17 (4) Subsections (1) and (2) of this section to the contrary notwithstanding, a member of
18 the Legislators' Retirement Plan with a service entrance date after July 1, 1982 **but**
19 **prior to January 1, 2014**, who retires on or after his normal retirement date, shall
20 receive a service retirement allowance, payable monthly during his lifetime, in an
21 amount per month equal to two and seventy-five one-hundredths percent (2.75%) of
22 his final compensation multiplied by the number of years of his service, but in no
23 event to exceed one hundred percent (100%) of final compensation. For this
24 purpose, "final compensation" means the average monthly creditable compensation
25 as determined in KRS 61.510(13) of the member for services as a legislator for the
26 three (3) years during which the member had the highest creditable legislative
27 compensation.

(5) Subsections (1) to (4) of this section shall not apply to members who begin participating in the Legislators' Retirement Plan on or after January 1, 2014.

➔Section 16. KRS 6.521 is amended to read as follows:

(1) As of July 1 of each year, the board of trustees of the Kentucky Judicial Form Retirement System shall recompute the monthly benefits of persons then receiving benefits under the Legislators' Retirement Plan, by using the following formula: three and one-half percent (3.5%) times fifty-five percent (55%) of the final compensation of the office in which the credit was earned for a person retiring as of the recomputation date, times the number of years of service credit (not to exceed twenty-eight (28) years). In making the recomputation, the same reduction factor, in case of an actuarially reduced benefit or a surviving spouse's benefit, shall be used as was used in determining the benefit then being received. If the benefit as recomputed in accordance with this section is higher than the benefit then being received, the recomputed benefit shall thereafter be paid monthly, commencing as of the date specified for the recomputation, subject to future adjustment at ensuing recomputations in accordance with this section.

(2) Effective August 1, 1998, to July 1, 2008, a recipient of a monthly pension benefit from the Legislators' Retirement Plan shall have his or her benefit increased on July 1 of each year by the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year as published by the Federal Bureau of Labor Statistics, not to exceed five percent (5%). In determining the state's appropriation to the Legislators' Retirement Fund, only the costs of increases granted as of the most recent valuation date shall be recognized. The benefits of this subsection as provided on August 1, 1998, to July 1, 2008, shall not be considered as benefits protected by the inviolable contract provisions of KRS 6.505. The General Assembly reserves the right to suspend or reduce the benefits conferred in this subsection if in its judgment the welfare of the Commonwealth so

1 demands.

- 2 (3) (a) Effective July 1, 2009, and on July 1 of each year thereafter, a recipient of a
 3 monthly pension benefit from the Legislators' Retirement Plan shall have his
 4 or her benefit increased by one and one-half percent (1.5%), if:

5 1. The funding level of the plan is greater than one hundred percent
 6 (100%) and subsequent legislation authorizes the use of any surplus
 7 actuarial assets to provide an increase in retirement allowances
 8 described by this subsection; or

9 2. The General Assembly appropriates sufficient funds to fully prefund
 10 the increase described by this subsection in the year the increase is
 11 provided.

12 (b) The board of trustees of the Kentucky Judicial Form Retirement System
 13 shall, at least thirty (30) days prior to the beginning of regular sessions of
 14 the General Assembly held in even-numbered years, advise the General
 15 Assembly of the following:

16 1. Whether the plan has a funding level greater than one hundred
 17 percent (100%) and if the plan can support an increase in recipients'
 18 retirement allowances as provided by paragraph (a) of this subsection
 19 over the next budget biennium without reducing the funding level of
 20 the plan below one hundred percent (100%); and

21 2. If no surplus actuarial assets are available, the level of funds needed
 22 to fully prefund an increase for plan recipients over the next budget
 23 biennium if a one and one-half percent (1.5%) increase is provided
 24 annually over the biennium.

25 (c) For purposes of this subsection, "funding level" means the actuarial value
 26 of assets divided by the actuarially accrued liability expressed as a
 27 percentage that is determined and reported by the plan's actuary in the

1 plan's actuarial valuation.

2 (d) The full increase described by this subsection shall only be provided if the
 3 recipient has been receiving a retirement benefit for at least twelve (12)
 4 months prior to the effective date of the increase. If the recipient has been
 5 receiving a benefit for less than twelve (12) months prior to the effective date
 6 of the increase provided by this subsection, the increase shall be reduced on a
 7 pro rata basis for each month the recipient has not been receiving a benefit in
 8 the twelve (12) months preceding the effective date of the increase.

9 (e) In determining the state's appropriation to the Legislators' Retirement Fund,
 10 only the costs of increases granted as of the most recent valuation date shall be
 11 recognized.

12 (f) The benefits of this subsection as provided on July 1, 2009, and thereafter
 13 shall not be considered as benefits protected by the inviolable contract
 14 provisions of KRS 6.505. The General Assembly reserves the right to suspend
 15 or reduce the benefits conferred in this subsection if in its judgment the
 16 welfare of the Commonwealth so demands.

17 (4) In addition to the increase to a recipient's retirement allowance as provided by
 18 subsection (3) of this section, the General Assembly may, by subsequent legislation,
 19 provide supplemental increases to a recipient's retirement allowance to help adjust
 20 for actual changes in the recipient's cost of living if the General Assembly
 21 appropriates sufficient funds to fully prefund the benefit in the year the increase is
 22 provided.

23 ➔Section 17. KRS 6.525 is amended to read as follows:

24 The Legislators' Retirement Plan shall be governed by KRS 21.560 and by provisions
 25 identical in terms with those provided in Section 12 of this Act, KRS 21.345(1), ~~{and-}~~
 26 21.345(3) to (6), 21.360(1), 21.370 to 21.410, 21.420, 21.425, 21.450, 21.460, 21.470,
 27 21.480, 21.525, 21.540, and 61.552 for the Judicial Retirement Plan, except that:

- 1 (1) Five (5) years of service as a legislator will be sufficient for vesting; and
- 2 (2) (a) A member of the Legislators' Retirement Plan may combine his service credit
 3 with his service credit in the Teachers' Retirement System, Kentucky
 4 Employees Retirement System, County Employees Retirement System, and
 5 State Police Retirement System at the time of his retirement, according to the
 6 procedure of KRS 61.680(2)(a), except that the salary used to determine final
 7 compensation, if applicable, shall be based on the creditable compensation in
 8 KRS 61.510(13) for service while a member of the General Assembly whether
 9 or not a member of the Legislators' Retirement Plan.
- 10 (b) For members contributing on or after June 20, 2005 but prior to January 1,
 11 2014; upon retirement, a member's accounts under the Legislators'
 12 Retirement Plan, State Police Retirement System, Kentucky Employees
 13 Retirement System, County Employees Retirement System, and Teachers'
 14 Retirement System shall be consolidated for the purpose of determining
 15 eligibility and amount of benefits as provided in KRS 61.680(2)(a) and in the
 16 same manner as for the other retirement systems using the highest salary
 17 regardless of the system in which it was earned. For purposes of this
 18 paragraph, "retirement" means the month in which the member elects to begin
 19 receiving benefits or benefits become payable due to the member's death.
- 20 (c) A member who has an account in the Legislators' Retirement Plan and the
 21 Judicial Retirement Plan may combine his service in both plans for purposes
 22 of determining:
- 23 1. Eligibility and the amount of benefits; and
- 24 2. Final compensation, provided the member began participating in the
 25 Legislators' Retirement Plan prior to January 1, 2014.
- 26 (d) A member who began participating in the Legislators' Retirement Plan
 27 prior to January 1, 2014, may retire at the completion of twenty-seven (27) or

more years of combined service credit, so long as at least fifteen (15) years of such credit were earned after January 1, 1960, and there shall be no reduction in the retirement allowance because of retirement before the age of sixty-five (65).

(e) For the purposes of this section, any reference in the KRS sections listed above to the Judicial Retirement Plan shall also be read as a reference to the Legislators' Retirement Plan, and any reference to the Legislators' Retirement Plan shall also be read as a reference to the Judicial Retirement Plan.

(3) Any other statute to the contrary notwithstanding, a member of any state-administered retirement system who has ceased to qualify for membership but subsequently returns to a qualified status, shall, for the purposes of determining the date of entry into the state-administered retirement system for the subsequent period or periods of service, be deemed to have never left the retirement system.

➔Section 18. KRS 6.577 is amended to read as follows:

(1) The board of trustees of the Judicial Form Retirement System shall arrange by appropriate contract or on a self-insured basis to provide a group hospital and medical insurance plan for present and future recipients of a retirement allowance from the Legislators' Retirement Plan. The board may authorize present and future recipients of a retirement allowance from the Legislators' Retirement Plan who are under age sixty-five (65) to be included in the state employees group for hospital and medical insurance and shall provide benefits for recipients equal to those provided to state employees having the same Medicare hospital and medical insurance eligibility status. For recipients of a retirement allowance who are not eligible for the same level of hospital and medical benefits as recipients living in Kentucky, the board shall provide a medical insurance premium reimbursement plan as described in subsection (5) of this section.

(2) Each employer participating in the Legislators' Retirement Plan shall contribute to

the plan the amount necessary to provide hospital and medical insurance as provided for under this section. The employer contribution rate shall be developed by appropriate actuarial method as a part of the determination of the total employer contribution rate to the Legislators' Retirement Plan.

- (3) (a) Depending on the months of service credit on which the retirement allowance was based, provided that there are at least forty-eight (48) months, all or a portion of the premium required to provide hospital and medical benefits under this section shall be paid in full from the insurance fund established by KRS 6.575 for all recipients of a retirement allowance from the Legislators' Retirement Plan as follows:

Months of Service	Percentage Paid
48 to 119, inclusive	25%
120 to 131, inclusive	50%
132 to 143, inclusive	55%
144 to 155, inclusive	60%
156 to 167, inclusive	65%
168 to 179, inclusive	70%
180 to 191, inclusive	75%
192 to 203, inclusive	80%
204 to 215, inclusive	85%
216 to 227, inclusive	90%
228 to 239, inclusive	95%
240 or more	100%

This paragraph shall not apply to members who begin participating in the Legislators' Retirement Plan on or after January 1, 2014.

(b) For members who begin participating in the Legislators' Retirement Plan on or after January 1, 2014:

1 1. Participation in the health insurance coverage and benefits provided
 2 under this section shall not be allowed until the member has earned at
 3 least one hundred eighty (180) months of service credited under KRS
 4 6.500 to 6.577 or another state-administered retirement system.

5 2. A member who meets the minimum service requirements as provided
 6 by subparagraph 1. of this paragraph shall be eligible for a monthly
 7 insurance benefit upon retirement of ten dollars (\$10) for each year of
 8 service as a participating member of the Legislators' Retirement Plan.

9 3. The minimum service required to participate in benefits as provided by
 10 subparagraph 1. of this subparagraph shall be waived for a member
 11 who is disabled in the line of duty as defined in KRS 61.621, and the
 12 member shall be entitled to the health benefits payable under this
 13 subsection as though the member has twenty (20) years of service in
 14 the Legislators' Retirement Plan.

15 4. The minimum service required to participate in benefits as provided by
 16 subparagraph 1. of this subparagraph shall be waived for a member
 17 who is killed in the line of duty as described in KRS 61.621, and the
 18 member's spouse and eligible dependents shall be entitled to the health
 19 benefits the member would have received if he or she had retired with
 20 twenty (20) years of service in the Legislators' Retirement Plan.

21 5. The monthly insurance contribution amount provided by this
 22 paragraph shall be increased July 1 of each year by one and one-half
 23 percent (1.5%). The increase shall be cumulative and shall continue to
 24 accrue after the member's retirement for as long as a monthly
 25 insurance contribution is payable to the retired member.

26 (c) The payments for health insurance provided by this subsection shall be made
 27 from the fund only if the recipient agrees to pay the remaining

1 ~~amount~~[percentage], if any, from his monthly retirement allowance or by any
 2 other method equally insuring payment by him. "Months of service" as used in
 3 this section shall not include service added to determine disability benefits.

4 (4) **Provided the member began participating in the Legislators' Retirement Plan**
 5 **prior to January 1, 2014,** the insurance fund shall pay the same percentage of the
 6 premium for the spouse and dependents of a recipient, or the beneficiary of the
 7 recipient, as the fund pays or paid for the member. **No payment shall be made**
 8 **under this section to a spouse, dependent, or beneficiary of a member who begins**
 9 **participating in the Legislators' Retirement Plan on or after January 1, 2014,**
 10 **except as authorized by subsection (3)(b)4. of this section.**

11 (5) The board shall establish a medical insurance premium reimbursement plan for
 12 recipients of a retirement allowance who are not eligible for the same level of
 13 hospital and medical benefits as recipients living in Kentucky having the same
 14 Medicare hospital and medical insurance eligibility status. An eligible recipient
 15 shall file proof of payment for hospital and medical insurance premiums at the
 16 retirement office. Reimbursement to eligible recipients shall be made on a quarterly
 17 basis. The recipient shall be eligible for reimbursement of substantiated medical
 18 insurance premiums for an amount not to exceed the total monthly contribution
 19 determined by the board of trustees. The plan shall not be made available if all
 20 recipients are eligible for the same level of coverage as recipients living in
 21 Kentucky.

22 (6) Premiums paid for hospital and medical insurance coverage procured under
 23 authority of this section shall be exempt from any premium tax which might
 24 otherwise be required under KRS Chapter 136. The payment of premiums by the
 25 insurance fund shall not constitute taxable income to an insured recipient. No
 26 commission shall be paid for hospital and medical insurance procured under
 27 authority of this section.

1 (7) Notwithstanding any other statute to the contrary, any member with the minimum
 2 number of months of legislative service required by subsection (3) of this
 3 section~~[at least forty-eight (48) months of legislative service]~~ who is also eligible
 4 for benefits, or who is receiving benefits from any retirement plan or system
 5 administered by the Commonwealth shall be entitled to hospital and medical
 6 benefits as described in subsection (3) of this section, except that the number of
 7 months of service credit used in calculating the level of benefits shall be the sum of
 8 the service credited to the member in all the state-administered retirement systems
 9 or plans.

10 (a) Upon request of the member, the Legislators' Retirement Plan shall compute
 11 the member's combined service in all the state-administered retirement
 12 systems or plans, and calculate the portion of the member's premium to be
 13 paid by the Legislators' Retirement Plan, according to the criteria established
 14 in subsection (3) of this section. For members who begin participating in the
 15 Legislators' Retirement Plan prior to January 1, 2014, the state-administered
 16 retirement systems or plans shall pay to the Legislators' Retirement Plan the
 17 applicable percentage of the plan's costs of the retiree's hospital and medical
 18 premium which shall be equal to the percentage of the member's number of
 19 months of service in the applicable state-administered retirement system
 20 divided by his total combined service. The amounts paid by all the state-
 21 administered retirement systems or plans shall not be more than one hundred
 22 percent (100%) of the premium amount adopted by the respective boards of
 23 trustees.

24 (b) A member who elects hospital and medical benefits under this section shall
 25 lose any claim to insurance benefits under any of the other state-administered
 26 retirement systems or plans.

27 ➔Section 19. KRS 21.345 is amended to read as follows:

- 1 (1) For the purposes of KRS 21.350 to 21.510, "retirement" means a voluntary
2 resignation or a failure of reelection, but does not include a removal for cause.
- 3 (2) The word "service" as used in KRS 21.370 to 21.480 means service transferred
4 from the Kentucky Retirement Systems pursuant to KRS 21.370(2), service as a city
5 police judge purchased pursuant to KRS 21.370(3), and service as a Justice of the
6 Supreme Court, as a Judge of the Court of Appeals created by Section 111 of the
7 Constitution of Kentucky, as a regular Circuit Judge, or as a regular Judge of the
8 District Court, including service in one (1) and then another of those capacities. It
9 also includes service as a special Circuit Judge under the conditions described in
10 subsection (3) of this section, as a Judge or commissioner of the former Court of
11 Appeals, or as director of the Administrative Office of the Courts, prior to January
12 1, 1976, and service continuing beyond that date, in any capacity in or for the Court
13 of Justice, by any person who held the office of commissioner of the former Court
14 of Appeals, or director of the Administrative Office of the Courts, on December 31,
15 1975. The word "service" embraces only service performed while a member of the
16 retirement system established by KRS 21.350 to 21.510, except that service in any
17 of the positions mentioned, before the Judicial Retirement System was made
18 applicable to that category of position, and service transferred from the Kentucky
19 Retirement Systems pursuant to KRS 21.370(2), shall be included.
- 20 (3) For the purposes of KRS 21.345 to 21.510, a "year" of service means a total of
21 twelve (12) months of service, which need not be in the same calendar year. Service
22 for any part of the calendar month in which the member's term of service begins or
23 ends shall be deemed to constitute a month of service.
- 24 (4) **The term "accumulated employer credit" as used in KRS 21.345 to 21.580 means**
25 **the employer pay credit deposited to the member's account and interest credited**
26 **on such amounts as provided by Section 12 of this Act.**
- 27 (5) **The term "accumulated contributions" as used in KRS 21.345 to 21.580, means:**

1 (a) For a member who began participating in the Judicial Retirement Plan
 2 prior to January 1, 2014, the contributions made by the member to the
 3 Judicial Retirement Plan; and

4 (b) For a member who begins participating in the Judicial Retirement Plan on
 5 or after January 1, 2014, in the hybrid cash balance plan, the contributions
 6 made by the member to the Judicial Retirement Plan and interest credited
 7 on such amounts as provided by Section 12 of this Act.

8 (6) The term "accumulated account balance" as used in KRS 21.345 to 21.580
 9 means:

10 (a) For members who began participating in the Judicial Retirement Plan prior
 11 to January 1, 2014, the member's accumulated contributions; or

12 (b) For members who begin participating in the Judicial Retirement Plan on or
 13 after January 1, 2014, in the hybrid cash balance plan as provided by
 14 Section 12 of this Act, the combined sum of the member's accumulated
 15 contributions and the member's accumulated employer pay credit.

16 (7) The provisions of this section shall not apply to any director of the Administrative
 17 Office of the Courts appointed after January 1, 1976, nor shall they apply to any
 18 commissioner of the Court of Appeals not appointed prior to January 1, 1976. The
 19 administrative director of the courts and commissioners of the Court of Appeals
 20 appointed prior to January 1, 1976, shall continue to be members of the system so
 21 long as they continue to render service in any capacity in or for the Court of Justice.

22 ➔Section 20. KRS 21.360 is amended to read as follows:

23 (1) (a) Each Judge of the District Court in office on July 1, 1978, may within thirty
 24 (30) days after that date, and any judge or justice of any court entitled to be a
 25 member thereafter taking office may within thirty (30) days after taking office,
 26 elect to make monthly contributions to the retirement system in an amount
 27 equal to:

1 1. Five percent (5%) of his monthly official salary, *if the judge or justice*
 2 *became a member of the Kentucky Judicial Retirement Plan prior to*
 3 *September 1, 2008;*

4 2. ~~{except that a judge or justice who becomes a member of the Kentucky~~
 5 ~~Judicial Retirement Plan on or after September 1, 2008, shall make~~
 6 ~~monthly contributions to the retirement system in the amount equal to~~
 7 ~~}Six percent (6%) of his or her monthly official salary, *if the judge or*~~
 8 ~~*justice became a member of the Kentucky Judicial Retirement Plan on*~~
 9 ~~*or after September 1, 2008, but prior to January 1, 2014; or*~~

10 3. *Six percent (6%) of his or her monthly official salary, if the judge or*
 11 *justice who becomes a member of the Kentucky Judicial Retirement*
 12 *Plan on or after January 1, 2014, which shall be used to fund benefits*
 13 *as follows:*

14 a. *Five percent (5%) of the monthly official salary shall be used to*
 15 *provide funding for benefits provided under Section 12 of this*
 16 *Act; and*

17 b. *One percent (1%) of the monthly official salary to be used*
 18 *exclusively to help fund retiree health benefits as provided by*
 19 *Section 29 of this Act and which shall not be refunded to the*
 20 *member if the member withdraws his or her accumulated*
 21 *account balance as provided by Section 30 of this Act. The*
 22 *deducted amounts under this subdivision shall be credited to an*
 23 *account established pursuant to 26 U.S.C. sec. 401(h), within the*
 24 *fund established by KRS 21.347.*

25 (b) The election shall be effective to establish membership in the system as of
 26 July 1, 1978, or as of the date the judge or justice took office, as the case may
 27 be. The election shall be addressed to and filed with the secretary of the

Finance and Administration Cabinet, and shall constitute an authorization by the member, to the secretary, to thereafter cause to be deducted from the member's official salary, each month, the amount required by paragraph (a) of this subsection, as a voluntary contribution by the member towards the funding of the retirement system. *For a member who began contributing to the Judicial Retirement Plan prior to January 1, 2014,* the contribution shall continue until the judge or justice is vested in a service retirement allowance equal to one hundred percent (100%) of final compensation. Thereafter employee contributions shall be discontinued but continued service and retirement benefits shall not be affected thereby.

(2) A judge or justice entitled to elect membership in the retirement system who failed to elect membership within thirty (30) days after taking office in 1980 or who elected membership in the Kentucky Employees Retirement System may elect membership not later than August 31, 2005. An election, upon being made pursuant to this section, shall operate to create an inviolable contract between the member *entitled to elect membership under this subsection* and the Commonwealth, guaranteeing to and vesting in the member the rights and benefits provided for under the terms and conditions of KRS 21.350 to 21.510.

(3) (a) When any judge makes a delayed election of membership in the Judicial Retirement Plan under subsection (2) of this section, his active membership in the Kentucky Employees Retirement System shall terminate, as of the date his membership in the Judicial Retirement Plan becomes effective, and any credit in the Kentucky Employees Retirement System, earned for service as a judge, which he then has or which he subsequently regains while being an active member of the Judicial Retirement Plan, shall be transferred to and counted as service credit in the Judicial Retirement Plan, and shall no longer constitute credit in the Kentucky Employees Retirement System, except for the purpose

1 of validating any other credit in that system, if the member pays the
2 difference, if any, between the amount transferred from the Kentucky
3 Employees Retirement System and the actuarial value of the transferred
4 service.

5 (b) Any credit he then has in the Kentucky Employees Retirement System, earned
6 for service in any capacity other than a judge, shall not be affected.
7 Notwithstanding any provisions of KRS 61.680 to the contrary, final
8 compensation used to determine benefits for any service credit remaining in
9 the Kentucky Employees Retirement System shall be based on the highest
10 years of compensation as a judge whether the years occur before or after the
11 judge elects membership in the Judicial Retirement Plan.

12 (c) No person may attain credit in more than one (1) of the retirement plans or
13 systems mentioned in this section for the same period of service. When credit
14 is transferred from the Kentucky Employees Retirement System to the Judicial
15 Retirement Plan, the Kentucky Employees Retirement System shall transfer to
16 the Judicial Retirement Fund an amount equal to the employee's and
17 employer's contributions attributable to that credit, together with interest on
18 the contributions from the date made to the date of transfer at the actuarially-
19 assumed interest rate of the Kentucky Employees Retirement System in effect
20 at the time the contributions were made, compounded annually at that same
21 interest rate.

22 (4) Membership and benefit rights for judges and justices (other than Judges of the
23 District Court), and for the commissioners and administrative director, who took
24 office prior to July 1, 1978, shall be dependent upon valid elections having been
25 made under this section (and KRS 21.355 and 21.365) prior to the 1978 amendment
26 to this section. The terms of such elections, including the contribution rate, shall
27 continue to govern for the duration of the member's service.

1 (5) When any Judge of the District Court in office on July 1, 1978, elects membership
 2 in the Judicial Retirement System in accordance with this section, his membership
 3 in the Kentucky Employees Retirement System shall terminate as of July 1, 1978,
 4 and any credit in that system he earned for service as a Judge of the District Court
 5 shall be nullified; provided that the effect of such service to validate any other
 6 service credit in that system shall not be nullified.

7 (6) The state shall, solely for the purpose of compliance with Section 414(h) of the
 8 United States Internal Revenue Code, pick up the employee contributions required
 9 by this section for all compensation earned after August 1, 1982, and the
 10 contributions so picked up shall be treated as employer contributions in determining
 11 tax treatment under the United States Internal Revenue Code and KRS 141.010(10).
 12 The picked-up employee contribution shall satisfy all obligations to the retirement
 13 system satisfied prior to August 1, 1982, by the employee contribution, and the
 14 picked-up employee contribution shall be in lieu of an employee contribution. The
 15 state shall pay these picked-up employee contributions from the same source of
 16 funds which is used to pay earnings to the employee. The employee shall have no
 17 option to receive the contributed amounts directly instead of having them paid by
 18 the employer to the system. Employee contributions picked up after August 1, 1982,
 19 shall be treated for all purposes of KRS 21.345 to 21.570 in the same manner and to
 20 the same extent as employee contributions made prior to August 1, 1982.

21 (7) An election once made under this section, either to participate or not to participate
 22 in the Judicial Retirement Plan, shall be considered to apply, to all future service in
 23 any office covered by the plan, whether such service is in the same or a different
 24 office, and whether or not it is continuous.

25 ➔Section 21. KRS 21.370 is amended to read as follows:

26 (1) (a) Except as provided in subsection (2) of KRS 21.410 and in subsection (2) of
 27 KRS 21.420, no benefits shall be payable under KRS 21.350 to 21.480 to any

1 member who began participating in the Judicial Retirement Plan prior to
 2 January 1, 2014, or to his surviving spouse, unless he has completed at least
 3 eight (8) years of service, including service before becoming a member.

4 (b) No surviving spouse of a retired member shall be entitled to any benefits
 5 unless the person was the spouse of the member at the time he retired.

6 (2) A member who began participating in the Judicial Retirement Plan prior to
 7 January 1, 2014, who has qualified for benefits under this section may transfer to
 8 the Judicial Retirement Plan up to ten (10) years of service credit which he has
 9 earned in a retirement system administered by Kentucky Retirement Systems, and
 10 he may transfer to the Judicial Retirement Plan up to ten (10) years of service credit
 11 which he has earned in the Kentucky Legislators' Retirement Plan. If the member
 12 elects to transfer his service credit, the system or plan from which the transfer is
 13 made shall transfer to the judicial retirement fund an amount equal to the
 14 employee's and employer's contributions attributable to that credit, together with
 15 interest on the contributions from the date made to the date of transfer at the
 16 actuarially assumed interest rate of the system or plan from which the transfer is
 17 made in effect at the time the contributions were made, compounded annually at
 18 that same interest rate. The member shall be entitled to the transferred service
 19 credit, at the rate at which he qualifies under KRS 21.400, when he pays the total
 20 difference between the amount of the funds transferred and the cost of the credit to
 21 the Judicial Retirement Plan, as determined by the actuary for the Judicial
 22 Retirement Plan. The member may pay by transfer, if authorized under subsection
 23 (5)(d) of this section, or by lump sum or increments as set forth in subsection (4)(b)
 24 of this section. The payments made under this section shall be considered
 25 accumulated contributions of the member and shall not be picked up by the
 26 employer under KRS 21.360(6).

27 (3) Any active member who began participating in~~of~~ the Judicial Retirement Plan

1 prior to January 1, 2014, who is vested in the Judicial Retirement Plan under
 2 subsection (1) of this section or KRS 21.375, shall receive service credit for a
 3 maximum of four (4) years for his period of service as a city police judge for a city
 4 within the Commonwealth of Kentucky, if the service was performed prior to the
 5 first Monday in January, 1978, and if the service has not been credited to the
 6 member's account with any other public defined benefit plan, by paying the
 7 retirement system one hundred percent (100%) of the actuarial cost of the service as
 8 determined by the board of trustees, based on assumptions used in the most recent
 9 biennial evaluation. The period of service to be purchased shall be certified to the
 10 board of trustees by the custodian of the records of the city for which the service
 11 was performed. The service credit shall be awarded and the cost shall be determined
 12 in conformity with the rate which applies to the member in question under KRS
 13 21.400. Service credit awarded under this subsection shall be equivalent, for all
 14 purposes of the Judicial Retirement Plan, to other service credit earned in the plan.
 15 The payments made under this section shall be considered accumulated
 16 contributions of the member and shall not be picked up by the employer under KRS
 17 21.360(6).

- 18 (4) (a) 1. Any active member who began participating in~~of~~ the Judicial
 19 Retirement Plan prior to January 1, 2014, who is vested in the Judicial
 20 Retirement Plan under subsection (1) of this section or KRS 21.375, or
 21 his beneficiary acting in his place if the member dies prior to retirement,
 22 shall receive service credit for a maximum of four (4) years for his
 23 period of service in the Armed Forces of the United States, if his
 24 discharge therefrom is honorable and he has not been credited with the
 25 service by any other retirement system administered by the
 26 Commonwealth of Kentucky, by paying the retirement system thirty-five
 27 percent (35%) of the actuarial cost of the service as determined by the

board of trustees, based on assumptions used in the most recent biennial evaluation. The service credit shall be awarded and the cost shall be determined in conformity with the rate which applies to the member in question under KRS 21.400. Service credit awarded under this subsection shall be equivalent, for all purposes of the Judicial Retirement Plan, to other service credit earned in the plan.

2. Any active member who began participating in~~in~~ the Judicial Retirement Plan prior to January 1, 2014, who is vested in the Judicial Retirement Plan may purchase and receive service credit for one (1) month of service for each six (6) months of service in the reserves or the National Guard by paying the retirement system one hundred percent (100%) of the actuarial cost of the service as determined by the board of trustees, based on assumptions used in the most recent biennial evaluation. The service credit shall be awarded and the cost shall be determined in conformity with the rate that applies to the member in question as provided in KRS 21.400. Service credit awarded under this subsection shall be equivalent, for all purposes of the Judicial Retirement Plan, to other service credit earned in the plan. The service in the military reserves or the National Guard shall be treated as service earned prior to participation in the plan. The purchase can be made by the member in a transfer, if authorized under subsection (5)(d) of this section, or by a lump-sum payment or installment payments. The payment shall not be picked up by the employer as provided in KRS 21.360(6).

- (b) The member, if the member began participating in the Judicial Retirement Plan prior to January 1, 2014, may purchase all of his military service credit at one (1) time, or in increments of no less than one (1) year, unless there is a

fraction remaining after all full years have been paid for. Payment of the total or the increment may be made by lump sum or by monthly installments through payroll deduction. If the member chooses to pay by installment, the cost of the service credit shall be computed in the same manner as for a lump-sum payment, which shall be the principal. Interest, at the annual actuarial rate in effect at the time each payment is made, shall be added to each monthly payment at the rate of one-twelfth (1/12) of the annual interest rate applied to the declining principal amount. Installment purchases shall be for no less than twelve (12) nor more than sixty (60) months. If the member leaves office before completing his installment payments, he may satisfy his contract by a lump-sum payment of the remaining principal amount, but no further installment payments shall be accepted thereafter. In this case, the member shall be credited with the military service credit for which he has paid, in years or months but no fraction less than a full month, and any payment remaining after credit for full months has been awarded shall be returned to the member.

(c) The payments made under this section shall be considered accumulated contributions of the member and shall not be picked up by the employer under KRS 21.360(6).

(5) (a) Any active member who began participating in~~of~~ the Judicial Retirement Plan prior to January 1, 2014, who is vested in the Judicial Retirement Plan under subsection (1) of this section or KRS 21.375 shall receive service credit for a maximum of four (4) years each for his period of service as a Domestic Relations Commissioner, a Master Commissioner, or a District Court Trial Commissioner of the Commonwealth of Kentucky, or a combination thereof, if the service has not been credited to the member's account with any other public defined benefit plan, by paying the retirement system one hundred

percent (100%) of the actuarial cost of the service as determined by the board of trustees, based on assumptions used in the most recent biennial evaluation. The period of service to be purchased shall be certified to the board of trustees by the custodian of the records. The service credit shall be awarded and the cost shall be determined in conformity with the rate that applies to the member in question under KRS 21.400. Service credit awarded under this subsection shall be equivalent, for all purposes of the Judicial Retirement Plan, to other service credit earned in the plan. The member may pay by transfer as set forth in paragraph (d) of this subsection, or by lump sum or increments as set forth in subsection (4)(b) of this section. The payments made under this section shall be considered accumulated contributions of the member and shall not be picked up by the employer under KRS 21.360(6).

- (b) Any active member who began participating in~~of~~ the Judicial Retirement Plan prior to January 1, 2014, who is vested in the Judicial Retirement Plan under subsection (1) of this section or KRS 21.375 shall receive service credit for his period of service to the United States Government, other than service in the Armed Forces, if the service has not been credited to the member's account with any other public defined benefit plan, by paying the retirement system one hundred percent (100%) of the actuarial cost of the service as determined by the board of trustees, based on assumptions used in the most recent biennial evaluation. The period of service to be purchased shall be certified to the board of trustees by the custodian of the records. The service credit shall be awarded and the cost shall be determined in conformity with the rate that applies to the member in question under KRS 21.400. Service credit awarded under this subsection shall be equivalent, for all purposes of the Judicial Retirement Plan, to other service credit earned in the plan. The member may pay by transfer as set forth in paragraph (d) of this subsection, or

by lump sum or increments as set forth in subsection (4)(b) of this section.

The payments made under this section shall be considered accumulated contributions of the member and shall not be picked up by the employer under KRS 21.360(6).

- (c) Any member who began participating in~~of~~ the Judicial Retirement Plan prior to January 1, 2014, who was~~is~~ in office on June 21, 2001, and who was~~is~~ in active contributing status to the applicable retirement plan on June 21, 2001, and who has at least one hundred eighty (180) months of service credit may purchase a combined maximum total of five (5) years retirement service credit that is not otherwise purchasable, by paying the retirement system one hundred percent (100%) of the actuarial cost of the service as determined by the board of trustees, based on assumptions used in the most recent biennial evaluation. The service credit shall be awarded and the cost shall be determined in conformity with the rate that applies to the member in question under KRS 21.400. Service credit awarded under this subsection shall be equivalent, for all purposes of the Judicial Retirement Plan, to other service credit earned in the plan, except that the service purchased under this subsection shall not be used in determining a retirement allowance until the member has accrued at least two hundred forty (240) months of service, excluding service purchased under this subsection. If the member does not accrue at least two hundred forty (240) months of service, excluding service purchased under this subsection, then upon retirement, death, or written request following termination, the payment shall be refunded. The member may pay by transfer as set forth in paragraph (d) of this subsection, or by lump sum or increments as set forth in subsection (4)(b) of this section. The payments made under this section shall be considered accumulated contributions of the member and shall not be picked up by the employer under

1 KRS 21.360(6).

2 (d) A member of the Judicial Retirement Plan may purchase service credit under
 3 the provisions of this section by transferring funds through a direct trustee-to-
 4 trustee transfer permitted under the applicable sections of the Internal
 5 Revenue Code and any regulations or rulings issued thereunder, or through a
 6 direct rollover as contemplated by and permitted under 26 U.S.C. sec.
 7 401(a)(31). Service credit may also be purchased by a rollover of funds
 8 pursuant to and permitted under the rules specified in 26 U.S.C. sec. 402(c)
 9 and 26 U.S.C. sec. 408(d)(3). The Judicial Retirement Fund shall accept the
 10 transfer or rollover to the extent permitted under the rules specified in the
 11 applicable provisions of the Internal Revenue Code and any regulations and
 12 rulings issued thereunder. The amount shall be credited to the individual
 13 member's contribution account and shall be considered accumulated
 14 contributions of the member and shall not be picked up by the employer under
 15 KRS 21.360(6).

16 ➔Section 22. KRS 21.380 is amended to read as follows:

17 (1) The normal retirement date or age of a member shall be his sixty-fifth birthday,
 18 except that~~[but]~~ the normal retirement age for a member who began participating
 19 in the Judicial Retirement Plan prior to January 1, 2014, shall be reduced by one

20 (1) year, but no more than five (5) years total, for:

21 (a) Each five (5) years of service credit in the plan; and

22 (b) Each year of service credit the member has earned beyond that needed to
 23 receive a retirement benefit of one hundred percent (100%) of final
 24 compensation.

25 (2) KRS 21.350 to 21.480 do not require that a member retire at the normal retirement
 26 date.

27 ➔Section 23. KRS 21.385 is amended to read as follows:

- 1 (1) In a situation in which, by reason of federal tax law, the failure to commence the
 2 payment of retirement benefits to a vested member of the Kentucky Judicial
 3 Retirement Plan, by a specified date after the member reaches a specified age, as
 4 designated by the federal tax law, will result in the imposition of a special excise
 5 tax, the member, without retiring, shall be entitled, as of the specified date, to
 6 commence drawing from the plan the monthly benefit he would have been entitled
 7 to had he retired on that date. Notwithstanding the provisions of KRS 21.360 and
 8 61.680, ~~a[the]~~ member **who began participating in the Judicial Retirement Plan**
 9 **prior to January 1, 2014,** ~~[at his option,]~~may, **at his option,** continue to be a
 10 participating member of the plan thereafter until he retires, or, may elect to cease to
 11 be a participating member of the plan, in which latter event he shall not be required
 12 to become a participating member of the Kentucky Employees Retirement System.
- 13 (2) A member drawing benefits from the Kentucky Judicial Retirement Plan pursuant
 14 to subsection (1) of this section who elects to continue as a participating member of
 15 the plan, or a person drawing benefits from the plan by reason of having retired,
 16 who by reason of reemployment again becomes a participating member of the plan,
 17 shall continue to draw the benefits until he retires, and accrue additional benefits,
 18 but in the calculation of the additional benefits only the years of service after he
 19 commenced drawing the initial benefits shall be counted, and the monthly
 20 additional benefit shall not exceed such amount as, when added to the initial
 21 monthly benefit, will equal the final compensation on which the additional benefit
 22 was calculated. The member's surviving spouse, if married to the member at the
 23 time of his ultimate retirement, shall be considered to be the surviving spouse with
 24 respect to both the additional and the initial benefits.
- 25 ➔Section 24. KRS 21.400 is amended to read as follows:
- 26 (1) A member **who began participating in the Judicial Retirement Plan prior to**
 27 **January 1, 2014,** who retires on or after his normal retirement date shall receive a

1 service retirement allowance, payable monthly during his lifetime, in an amount per
2 month equal to two and seventy-five hundredths percent (2.75%) of his final
3 compensation multiplied by the number of years of his service, but in no event to
4 exceed one hundred percent (100%) of final compensation, except that for any
5 service performed while a member prior to July 1, 1978, any service prior to July 1,
6 1962, creditable under KRS 21.345, and any service performed in continued
7 membership (or allowable under KRS 21.410 or 21.420) after June 30, 1978, by a
8 person who was a member on that date, the monthly percentage figure shall be five
9 percent (5%) of his final compensation multiplied by the number of years of his
10 service, and except that for any service performed by a member who elected
11 membership at an annual accrual rate of four and fifteen one hundredths percent
12 (4.15%) and for any service performed in continued membership thereafter (or
13 allowable under KRS 21.410 to 21.420), the benefit, payable monthly during his
14 lifetime shall be an amount equal to four and fifteen one-hundredths percent
15 (4.15%) of his final compensation multiplied by the number of years of his service,
16 and except that allowances heretofore granted, and rights related thereto, shall not
17 be affected by the 1978 or 1980 amendments to this section. For this purpose, "final
18 compensation" means the average monthly compensation of the member for the
19 sixty (60) months of service immediately preceding his retirement, including, in the
20 case of a Circuit Judge, compensation received as special commissioner of the
21 former Court of Appeals. If, at the time of retirement or death of a member his total
22 period of service in one or more positions covered by the system has not amounted
23 to sixty (60) months, his "final compensation" shall be computed as if he had served
24 in the first position he occupied under the system for such period of time as to bring
25 his total service (in all positions) to sixty (60) months. If that category of position
26 was not in existence for that period, it shall be treated as though it had been in
27 existence for that period and as if the compensation paid for the presumed period of

1 existence was at the rate provided for the category when it in fact first was created.

2 (2) A member who began participating in the Judicial Retirement Plan prior to
3 January 1, 2014, who retires before his normal retirement date shall be vested with
4 the right to receive, when he reaches his normal retirement age, a service retirement
5 allowance computed on the basis of the number of years of his actual service, and
6 payable in accordance with:

7 (a) The provisions of subsection (1) of this section; or

8 (b) KRS 21.580 if the member retires as a Senior Status Special Judge while the
9 pilot program created in KRS 21.580 is in effect.

10 (3) In lieu of the right provided for in subsection (2) of this section, a member who
11 began participating in the Judicial Retirement Plan prior to January 1, 2014,
12 who retires before his normal retirement age may elect, at any time before reaching
13 his normal retirement age, to be paid commencing as of the time of the election a
14 monthly service retirement allowance equal in amount to the monthly allowance
15 that would have become payable under subsection (2) of this section when he
16 reached his normal retirement age, reduced at the rate of five percent (5%) for each
17 year by which his actual age at the time the election is made is lower than the
18 normal retirement age.

19 (4) A member who began participating in the Judicial Retirement Plan prior to
20 January 1, 2014, who retires before his normal retirement date when his benefit is
21 based on twenty-seven (27) years or more of service in the Judicial Retirement Plan,
22 or if his judicial service credit, when combined with service he has in, or for which
23 he is receiving benefits from, the Legislators' Retirement Plan, the Kentucky
24 Employees Retirement System, County Employees Retirement System, State Police
25 Retirement System, or the Teachers' Retirement System, is equal to twenty-seven
26 (27) years, shall be vested with the right to receive a service retirement allowance
27 computed on the basis of the number of years of his actual service, and payable in

1 accordance with:

2 (a) The provisions of subsection (1) of this section; or

3 (b) KRS 21.580 if the member retires as a Senior Status Special Judge while the
4 pilot program created in KRS 21.580 is in effect.

5 (5) In lieu of the right provided for in subsection (2) of this section, a member who
6 began participating in the Judicial Retirement Plan prior to January 1, 2014,
7 who retires before his normal retirement age may elect, at any time before reaching
8 his normal retirement age, to be paid commencing as of the time of the election, a
9 monthly service retirement allowance equal in amount to the monthly allowance
10 that would have become payable under subsection (2) of this section when he
11 reached normal retirement age, reduced at the rate of five percent (5%) for each year
12 by which his years of service or combined service pursuant to subsection (4) of this
13 section are lower than twenty-seven (27).

14 (6) Subsections (1) to (5) of this section shall not apply to members who begin
15 participating in the Judicial Retirement Plan on or after January 1, 2014.

16 ➔Section 25. KRS 21.405 is amended to read as follows:

17 (1) As of July 1, 1982, the board of trustees of the Kentucky Judicial Form Retirement
18 System shall recompute the monthly benefits of persons then receiving benefits
19 under the Judicial Retirement Plan by using the same service credit rate and the
20 same number of years of service that were used in computing the benefits then
21 being received but substituting, in lieu of the "final compensation" that was used in
22 the computation of the benefit then being received an amount equal to fifty-five
23 percent (55%) of the final compensation of the office in which the credit was earned
24 for a person retiring as of June 30, 1982.

25 (2) As of July 1, 1983, and as of July 1 of each year thereafter, the board of trustees of
26 the Kentucky Judicial Form Retirement System shall recompute the monthly
27 benefits of persons then receiving benefits under the Judicial Retirement Plan by

1 using the following formula: two and three-fourths percent (2.75%) times fifty-five
2 percent (55%) of the final compensation of the office in which the retirement credit
3 was earned for a person retiring as of the recomputation date, times the number of
4 years of service credit (not to exceed thirty-six (36) years).

5 (3) In making the recomputations provided for in subsections (1) and (2) of this section,
6 the same reduction factor, in case of an actuarially reduced benefit or a surviving
7 spouse's benefit, shall be used as was used in determining the benefit then being
8 received. If the benefit as recomputed in accordance with subsection (1) or (2) of
9 this section is higher than the benefit then being received, the recomputed benefit
10 shall thereafter be paid monthly, commencing as of the date specified for the
11 recomputation, subject to future adjustment at ensuing annual recomputations in
12 accordance with subsection (2) of this section. For the purposes of this section, the
13 following office equivalents shall be used: Judge of former Court of Appeals -
14 Justice of Supreme Court; any position other than judge or justice that was covered
15 by the Judicial Retirement System - Judge of the present Court of Appeals.

16 (4) Effective August 1, 1998, to July 1, 2008, a recipient of a monthly pension benefit
17 from the Kentucky Judicial Retirement Plan shall have his or her benefit increased
18 on July 1 of each year by the percentage increase in the annual average of the
19 consumer price index for all urban consumers for the most recent calendar year as
20 published by the Federal Bureau of Labor Statistics, not to exceed five percent
21 (5%). In determining the state's appropriation to the Judicial Retirement Fund, only
22 the costs of increases granted as of the most recent valuation date shall be
23 recognized. The benefits of this subsection as provided on August 1, 1998, to July
24 1, 2008, shall not be considered as benefits protected by the inviolable contract
25 provisions of KRS 21.480. The General Assembly reserves the right to suspend or
26 reduce the benefits conferred in this subsection if in its judgment the welfare of the
27 Commonwealth so demands.

(5) (a) Effective July 1, 2009, and on July 1 of each year thereafter, a recipient of a monthly pension benefit from the Kentucky Judicial Retirement Plan shall have his or her benefit increased by one and one-half percent (1.5%), if:

1. The funding level of the plan is greater than one hundred percent (100%) and subsequent legislation authorizes the use of any surplus actuarial assets to provide an increase in retirement allowances described by this subsection; or
2. The General Assembly appropriates sufficient funds to fully prefund the increase described by this subsection in the year the increase is provided.

(b) The board of trustees of the Kentucky Judicial Form Retirement System shall, at least thirty (30) days prior to the beginning of regular sessions of the General Assembly held in even-numbered years, advise the General Assembly of the following:

1. Whether the plan has a funding level greater than one hundred percent (100%) and if the plan can support an increase in recipients' retirement allowances as provided by paragraph (a) of this subsection over the next budget biennium without reducing the funding level of the plan below one hundred percent (100%); and
2. If no surplus actuarial assets are available, the level of funds needed to fully prefund an increase for plan recipients over the next budget biennium if a one and one-half percent (1.5%) increase is provided annually over the biennium.

(c) For purposes of this subsection, "funding level" means the actuarial value of assets divided by the actuarially accrued liability expressed as a percentage that is determined and reported by the plan's actuary in the plan's actuarial valuation.

1 **(d)** *The full increase described by this subsection shall only be* provided **if** the
 2 recipient has been receiving a benefit for at least twelve (12) months prior to
 3 the effective date of the increase. If the recipient has been receiving a benefit
 4 for less than (12) months prior to the effective date of the increase provided by
 5 this subsection, the increase shall be reduced on a pro rata basis for each
 6 month the recipient has not been receiving benefits in the twelve (12) months
 7 preceding the effective date of the increase.

8 **(e)** In determining the state's appropriation to the Judicial Retirement Fund, only
 9 the costs of increases granted as of the most recent valuation date shall be
 10 recognized.

11 **(f)** The benefits of this subsection as provided on July 1, 2009, and thereafter
 12 shall not be considered as benefits protected by the inviolable contract
 13 provisions of KRS 21.480. The General Assembly reserves the right to
 14 suspend or reduce the benefits conferred in this subsection if in its judgment
 15 the welfare of the Commonwealth so demands.

16 (6) In addition to the increase to a recipient's retirement allowance as provided by
 17 subsection (5) of this section, the General Assembly may, by subsequent legislation,
 18 provide supplemental increases to a recipient's retirement allowance to help adjust
 19 for actual changes in the recipient's cost of living if the General Assembly
 20 appropriates sufficient funds to fully prefund the benefit in the year the increase is
 21 provided.

22 ➔Section 26. KRS 21.410 is amended to read as follows:

23 (1) **(a)** If upon examination of a member under his normal retirement age by one (1)
 24 or more qualified physicians employed by the retirement board, it is certified
 25 to the satisfaction of the board that such member is so physically or mentally
 26 disabled as to be incapacitated for further performance of duty, and that such
 27 incapacity is likely to be permanent, the member may retire for disability.

1 **(b) 1.** A member who began participating in the Judicial Retirement Plan
 2 prior to January 1, 2014, who {so} retires for disability as provided by
 3 this subsection shall be entitled to receive commencing immediately a
 4 disability retirement allowance, payable monthly during his disability, in
 5 an amount equal to one-half (1/2) of the monthly service retirement
 6 allowance he would have received commencing at his normal retirement
 7 date if he had continued in service until that date and had then retired,
 8 computed however on the basis of his final compensation at time of
 9 actual retirement.

10 **2.** A member who begins participating in the Judicial Retirement Plan
 11 on or after January 1, 2014, who retires for disability as provided by
 12 this subsection shall be entitled to a disability retirement allowance
 13 equal to the higher of twenty percent (20%) of the member's monthly
 14 final rate of pay or the retirement allowance determined in the same
 15 manner as for retirement at his or her normal retirement date under
 16 Section 12 of this Act.

17 (2) **(a)** A member who began participating in the Judicial Retirement Plan prior to
 18 January 1, 2014, need not have completed eight (8) years of service in order
 19 to be eligible for benefits under subsection (1) of this section.

20 **(b)** A member who begins participating in the Judicial Retirement Plan on or
 21 after January 1, 2014, must have completed at least five (5) years of service
 22 in order to apply and be eligible for the disability benefits provided by this
 23 section.

24 (3) The retirement board shall cause a member who has been retired for disability and
 25 who is still under his normal retirement age to undergo periodic examination by one
 26 (1) or more qualified physicians employed by the board, to determine whether he
 27 continues to be incapacitated for service of the character required of a judge or

commissioner. If upon any such examination it is certified to the satisfaction of the board that the member is no longer so incapacitated, or if the member refuses to submit to examination, the board shall terminate his disability retirement allowance. He shall then be entitled to such rights, if any, under subsection (2) or (3) of KRS 21.400 or Section 12 of this Act as he would have been entitled to had he voluntarily retired on the date he was retired for disability.

- (4) Upon reaching his normal retirement age, a member who has been receiving a disability retirement allowance may apply for and receive, in lieu thereof, the service retirement allowance he would have been entitled to receive at normal retirement age had he voluntarily retired on the date he was retired for disability.

→Section 27. KRS 21.420 is amended to read as follows:

- (1) After the death of a member who began participating in the Judicial Retirement Plan prior to January 1, 2014, who at the time of his death was receiving a service retirement allowance (other than an actuarially reduced allowance under subsection (3) of KRS 21.400), or was receiving a disability retirement allowance, his surviving spouse is entitled to receive during his lifetime a monthly allowance equal to one-half (1/2) of that he was receiving.

- (2) (a) If a member who began participating in the Judicial Retirement Plan prior to January 1, 2014, dies before retirement and before reaching normal retirement age, without regard to length of service, his surviving spouse is entitled to receive during his lifetime a monthly allowance equal to one-half (1/2) of the monthly allowance the member would have received commencing at his normal retirement date if he had continued in service until that date and had then retired, computed however on the basis of his final compensation at time of death.

- (b) If a member who began participating in the Judicial Retirement Plan prior to January 1, 2014, dies before retirement and after reaching normal

1 retirement age, his surviving spouse is entitled to receive during his lifetime a
 2 monthly allowance equal to one-half (1/2) of the monthly allowance the
 3 member would have been entitled to, on the basis of his years of service, had
 4 he retired on the date of his death.

5 (3) If a member who began participating in the Judicial Retirement Plan prior to
 6 January 1, 2014, dies after retirement and was at the time of his death receiving an
 7 actuarially reduced allowance under subsection (3) of KRS 21.400, or was not at the
 8 time of his death receiving a retirement allowance but had acquired the vested right
 9 under subsection (2) of KRS 21.400 to have received an allowance upon reaching
 10 normal retirement age, his surviving spouse is entitled to receive during his lifetime
 11 a monthly allowance equal to one-half (1/2) of the monthly allowance the member
 12 would have received when he reached normal retirement age.

13 (4) A member, or a retiree who has not commenced drawing retirement benefits
 14 pursuant to KRS 21.400 or Section 12 of this Act, who dies without a spouse or
 15 eligible children entitled to survivor's benefits, may designate a beneficiary who
 16 shall receive the accumulated contributions or accumulated account balance of the
 17 member. Absent a designation by the member or retiree, the accumulated
 18 contributions or accumulated account balance shall be paid to the member's estate.

19 (5) A member who commences drawing retirement benefits pursuant to KRS 21.400, ~~{~~
 20 ~~or~~ 21.410, or Section 12 of this Act, who dies without a spouse or eligible children
 21 entitled to survivor's benefits and before the benefits received by the member equal
 22 the accumulated ~~[personal]~~ contributions of the member, may designate a
 23 beneficiary who shall receive the balance of the accumulated contributions of the
 24 member. Any offset of contributions by reason of benefits received shall be
 25 deducted from the accumulated contributions first made to the system. Absent a
 26 designation by the member, the balance of the accumulated contributions shall be
 27 paid to the member's estate.

1 (6) A member who begins participating in the Judicial Retirement Plan prior to
 2 January 1, 2014, may designate a beneficiary who shall receive the balance of the
 3 accumulated contributions of the member, in the event survivor's benefits are being
 4 paid pursuant to subsection (1), (2), or (3) of this section, and the survivor dies prior
 5 to receiving benefits equal to the member's contributions. In this event, the
 6 provisions of subsection (5) of this section shall apply as to offset and payment.

7 (7) A member who begins participating in the Judicial Retirement Plan prior to
 8 January 1, 2014, may, prior to the drawing of benefits, elect in writing to the
 9 executive secretary of the Judicial Form Retirement System, to take an optional
 10 retirement allowance which shall be actuarially equivalent to the amount of
 11 retirement allowance otherwise payable to the member and the member's spouse. If
 12 the member dies after retirement, the option chosen shall prevail over the provisions
 13 of subsections (1) and (3) of this section. If the member dies prior to retirement, the
 14 option chosen shall prevail over the provisions of subsection (2) of this section. The
 15 options shall include:

16 (a) Survivorship one hundred percent (100%). The member may elect to receive a
 17 decreased retirement allowance during the member's lifetime and have the
 18 retirement allowance continued after death to the spouse during the lifetime of
 19 the spouse.

20 (b) Survivorship sixty-six and two-thirds percent (66 2/3%). The member may
 21 elect to receive a decreased retirement allowance during the member's lifetime
 22 and have two-thirds (2/3) of the retirement allowance continue after death to
 23 the spouse during the lifetime of the spouse.

24 If a retiree, living or deceased, chose either of the optional retirement benefit
 25 allowances specified in paragraphs (a) or (b) of this subsection from July 15, 1994,
 26 to July 15, 1998, the optional allowance shall be adjusted accordingly, and the new
 27 benefit shall commence August 1, 1998. Each recipient of benefits from the plan,

who retired from July 15, 1994, to July 15, 1998, shall have a one-time opportunity to select an optional retirement allowance. The election by the recipient shall be prior to August 1, 1998, at which time the new benefit shall commence. The option chosen shall prevail, subsections (1), (2), and (3) of this section notwithstanding.

(8) For a member who begins participating in the Judicial Retirement Plan on or after January 1, 2014:

(a) If the member dies prior to drawing a retirement allowance, then the surviving spouse may elect to:

1. Take a refund of the member's accumulated account balance or accumulated contributions as provided by Section 12 of this Act; or

2. If the member had at least five (5) years of service in the plan at the time of his or her death, have the member's accumulated account balance annuitized into a monthly benefit payable for life that is equal to the benefit that would have been paid had the member retired immediately prior to his or her date of death and elected to receive benefits payable under the survivorship one hundred percent (100%) option as provided by paragraph (b)1. of this subsection.

In lieu of the benefits provided by this paragraph to the surviving spouse, the member may elect to have the benefits payable under this paragraph paid to an individual dependent child by completing the forms provided prescribed by the Judicial Form Retirement System. If no surviving spouse or dependent children are eligible to receive benefits, then the provisions of subsection (4) of this section shall apply to the member.

(b) If a member dies on or after the date the member begins drawing a retirement allowance, the benefits payable to the surviving spouse shall be based upon whether or not the member elects prior to retirement to receive an optional retirement allowance. The election shall be in writing on the

forms prescribed by the Judicial Form Retirement System and shall be actuarially equivalent to the amount of retirement allowance otherwise payable to the member. The optional retirement allowances shall include:

1. Survivorship one hundred percent (100%). The member may elect to receive a decreased retirement allowance during the member's lifetime and have the retirement allowance continued after death to the spouse during the lifetime of the spouse;

2. Survivorship sixty-six and two-thirds percent (66-2/3%). The member may elect to receive a decreased retirement allowance during the member's lifetime and have two-thirds (2/3) of the retirement allowance continue after death to the spouse during the lifetime of the spouse; or

3. Survivorship fifty percent (50%). The member may elect to receive a decreased retirement allowance during the member's lifetime and have one-half (1/2) of the retirement allowance continue after death to the spouse during the lifetime of the spouse.

In lieu of the benefits provided by this paragraph to the surviving spouse, the member may elect prior to retirement to have the benefits payable under this paragraph paid to an individual dependent child by completing the forms provided prescribed by the Judicial Form Retirement System. If no surviving spouse or dependent children are eligible to receive benefits, then the provisions of subsection (5) of this section shall apply to the member.

(c) For purposes of this section a "dependent child" shall mean a child who is less than twenty-one (21) years of age or a disabled child who is eligible for Social Security disability benefits.

➔ Section 28. KRS 21.425 is amended to read as follows:

(1) In any circumstances in which a surviving spouse would be entitled to any

allowance under KRS 21.420, but there is no surviving spouse or the surviving spouse subsequently dies, and there is a surviving child or children of the member under the age of twenty-one (21), or there is a disabled child or children, the monthly allowance that the surviving spouse would have received or was receiving shall be continued, as follows:

(a) If the member does not have a disabled child or children, the benefit shall continue until there are no children remaining under the age of twenty-one (21); or

(b) If the member has a disabled child or children, the benefit shall continue until the death of the last remaining disabled child.

(2) A member may designate his child or children under the age of twenty-one (21), or his disabled child or children, to receive the death benefit payable under KRS 21.420 instead of his spouse, or he may designate that his spouse shall receive a percentage of the death benefit, and his child or children under the age of twenty-one (21), or his disabled child or children, shall receive the remainder. The member making such a choice shall designate his beneficiary or beneficiaries in writing to the manager of the Judicial Form Retirement System on a form provided by the manager.

(3) For purposes of this section, "disabled" means an individual determined by the Social Security Administration to be entitled to total disability benefits.

(4) Subsections (1) to (3) of this section shall not apply to a member who begins participating in the Judicial Retirement Plan on or after January 1, 2014.

➔ Section 29. KRS 21.427 is amended to read as follows:

(1) (a) The board of trustees of the Judicial Form Retirement System shall arrange by appropriate contract or on a self-insured basis for a group hospital and medical insurance plan for recipients of a retirement allowance from the Judicial Retirement Plan, and their dependents. For recipients, or dependents, eligible

for Medicare coverage, the board shall provide Medicare supplement hospital and medical insurance coverage. For recipients, or dependents, not eligible for Medicare coverage, the board shall provide hospital and medical insurance coverage comparable to that provided under the major state employees' group insurance, and the board may arrange for the recipients to be included in the major state employees group. For recipients of a retirement allowance who are not eligible for the same level of hospital and medical benefits as recipients living in Kentucky, the board shall provide a medical insurance premium reimbursement plan as described in subsection (3) of this section.

(b) For the purpose of this section, the "dependent" of a recipient means the spouse or minor children, or both, of a recipient who is a living former member of the Judicial Retirement Plan, or the minor children of a deceased former member whose surviving spouse is the recipient.

(2) (a) Depending upon the number of months of service credit upon which the retirement allowance was based, and upon there having been at least forty-eight (48) months of judicial service, all or a portion of the premium required to provide hospital and medical benefits under this section shall be paid from the judicial retirement fund, as follows:

Months of Judicial Service	Percentage of Premium
240 or more	100%
180 to 239, inclusive	75%
120 to 179, inclusive	50%
48 to 119, inclusive	25%

This paragraph shall not apply to members who begin participating in the Judicial Retirement Plan on or after January 1, 2014.

(b) For members who begin participating in the Judicial Retirement Plan on or after January 1, 2014:

- 1 1. Participation in the health insurance coverage and benefits provided
2 under this section shall not be allowed until the member has earned at
3 least one hundred eighty (180) months of service credited under KRS
4 21.345 to 21.580 or another state-administered retirement system.
- 5 2. A member who meets the minimum service requirements as provided
6 by subparagraph 1. of this paragraph shall be eligible for a monthly
7 insurance benefit upon retirement of ten dollars (\$10) for each year of
8 service as a participating member of the Judicial Retirement Plan.
- 9 3. The minimum service required to participate in benefits as provided by
10 subparagraph 1. of this subparagraph shall be waived for a member
11 who is disabled in the line of duty as defined in KRS 61.621, and the
12 member shall be entitled to the health benefits payable under this
13 subsection as though the member has twenty (20) years of service in
14 the Judicial Retirement Plan.
- 15 4. The minimum service required to participate in benefits as provided by
16 subparagraph 1. of this subparagraph shall be waived for a member
17 who is killed in the line of duty as described in KRS 61.621, and the
18 member's spouse and eligible dependents shall be entitled to the health
19 benefits the member would have received if he or she had retired with
20 twenty (20) years of service in the Judicial Retirement Plan.
- 21 5. The monthly insurance contribution amount provided by this
22 paragraph shall be increased July 1 of each year by one and one-half
23 percent (1.5%). The increase shall be cumulative and shall continue to
24 accrue after the member's retirement for as long as a monthly
25 insurance contribution is payable to the retired member.
- 26 6. Under no circumstances shall the cost of coverage be paid for the
27 spouse, dependents, or beneficiaries of a member who began

participating in the Judicial Retirement Plan on or after January 1, 2014, except as provided by subparagraph 4. of this paragraph.

(c) The health insurance~~[foregoing]~~ payments provided by this subsection shall be made by the fund only if the recipient agrees to pay the remaining, if any, amount~~[percentage]~~ of the premium by deduction from his retirement allowance or by another method equally insuring the payment by him.

~~(d)(b)~~ Notwithstanding any other statute to the contrary, any member with the minimum number of months of judicial service required by paragraph (a) or (b) of this subsection~~[at least forty-eight (48) months of judicial service]~~ who is also eligible for benefits, or who is receiving benefits from any retirement plan or system administered by the Commonwealth shall be entitled to hospital and medical benefits as described in paragraph (a) of this subsection except that the number of months of service credit used in calculating the level of benefits shall be the sum of service credited to the member in all the state-administered retirement systems or plans.

1. Upon request of the member, the Judicial Retirement System shall compute the member's combined service in all the state-administered retirement systems or plans and calculate the portion of the member's premium to be paid by the Judicial Retirement Plan, according to the criteria established in paragraph (a) of this subsection. For members who begin participating in the Legislators' Retirement Plan prior to January 1, 2014, the state-administered retirement systems or plans shall pay to the Judicial Retirement Plan the applicable percentage of the plan's cost of the retiree's hospital and medical premium which shall be equal to the percentage of the member's number of months of service in the applicable state-administered retirement systems or plans divided by his total combined service. The amounts paid by all the state-

administered retirement systems or plans shall not be more than one hundred percent (100%) of the premium amount adopted by the respective boards of trustees.

2. A member who elects hospital and medical benefits under this subsection shall lose any claim to insurance benefits under any of the other state-administered retirement systems or plans.

(3) The board shall establish a medical insurance premium reimbursement plan for recipients of a retirement allowance who are not eligible for the same level of hospital and medical benefits as recipients living in Kentucky having the same Medicare hospital and medical insurance eligibility status. An eligible recipient shall file proof of payment for hospital and medical insurance premiums at the retirement office. Reimbursement to eligible recipients shall be made on a quarterly basis. The recipient shall be eligible for reimbursement of substantiated medical insurance premiums for an amount not to exceed the total monthly contribution determined by the board of trustees. The plan shall not be made available if all recipients are eligible for the same level of coverage as recipients living in Kentucky.

(4) Premiums paid for hospital and medical insurance procured under this section shall be exempt from any premium tax which might otherwise be required under KRS Chapter 136. The payment of premiums by the judicial retirement fund shall not constitute income to the recipient. No commission shall be paid for hospital and medical insurance procured under this section.

➔ Section 30. KRS 21.460 is amended to read as follows:

(1) **(a) For members who began participating in the Judicial Retirement Plan prior to January 1, 2014:** If any member of the plan ceases, other than by death or by disability retirement under KRS 21.410, to hold an office qualifying him for membership in the plan established by KRS 21.350 to 21.480, without

1 having met the requirements for vesting, he shall be refunded on demand the
 2 amount of his accumulated contributions and any service credit he had in the
 3 plan shall be nullified.

4 *(b) A member who begins participating in the Judicial Retirement Plan on or*
 5 *after January 1, 2014, may, if the member ceases to hold an office*
 6 *qualifying him or her for membership in the plan established by KRS*
 7 *21.345 to 21.580, elect to take a refund of his or her accumulated account*
 8 *balance subject to the limitations provided by Section 12 of this Act.*

9 (2) The member may elect to leave his contributions in the plan, in which event the
 10 service credit he had in the plan shall be considered to be service credit for vesting
 11 purposes as provided in KRS 21.375 and for service retirement eligibility as
 12 provided in KRS 61.680(7), and, in the event he again becomes a member of the
 13 Judicial Retirement Plan, shall be counted toward his total service credit in that
 14 plan.

15 (3) If a person who has been refunded his accumulated contributions or accumulated
 16 account balance in accordance with subsection (1) of this section subsequently
 17 becomes a member of the Legislators' Retirement Plan, the Kentucky Employees
 18 Retirement System, County Employees Retirement System, State Police Retirement
 19 System, or Teachers' Retirement System, he may while holding such membership
 20 repurchase the service credit he previously had in the Judicial Retirement Plan by
 21 repaying to that plan the amount that was refunded to him with interest at six
 22 percent (6%) per annum, in which event such service credit shall have operative
 23 effect to the same limited extent as provided in subsection (2) of this section.
 24 *Service purchased under this subsection on or after January 1, 2014, shall not be*
 25 *used to determine the member's participation date in the Judicial Retirement*
 26 *Plan.*

27 (4) If a person who has been refunded his accumulated contribution or accumulated

1 account balance in accordance with subsection (1) of this section thereafter
 2 becomes again the holder of an office qualifying him for membership in the Judicial
 3 Retirement Plan, he shall not be entitled to credit for his prior period of service
 4 unless he has previously repaid his refunded contributions in accordance with
 5 subsection (3) of this section or unless within thirty (30) days after again assuming
 6 office he repays to the plan the amount that was refunded to him with interest at six
 7 percent (6%) per annum. Service purchased under this subsection on or after
 8 January 1, 2014, shall not be used to determine the member's participation date
 9 in the Judicial Retirement Plan.

- 10 (5) If the taking of a refund of contributions by a member of the Kentucky Judicial
 11 Retirement Plan, when first entitled thereto, would subject the member to a federal
 12 excise tax, by reason of the refund's being made before the member has reached an
 13 age designated by the federal taxing act, and the member has elected, pursuant to
 14 subsection (2) of this section, to defer taking a refund, so much of the contributions
 15 as would have been subject to the excise tax shall accrue interest at the rate of six
 16 percent (6%) per annum, from the date the member first could have taken a refund
 17 until the date the refund is taken or the date as of which the federal excise tax no
 18 longer would apply to a refund, whichever is sooner, the interest to be paid by the
 19 plan at the time of the refund. The provisions of this subsection shall not apply to
 20 members who begin participating in the Judicial Retirement Plan on or after
 21 January 1, 2014.

22 ➔Section 31. KRS 21.480 is amended to read as follows:

- 23 (1) For members who begin participating in the Judicial Retirement Plan prior to
 24 January 1, 2014, it is hereby declared that in consideration of the contributions by
 25 the members, and in further consideration of benefits received by the state through
 26 the inducement of qualified and experienced judges and commissioners to continue
 27 in service, KRS 21.350 to 21.510, except as provided in KRS 6.696, shall constitute

an inviolable contract of the Commonwealth, and the rights and benefits provided therein shall, except as provided in KRS 6.696, not be subject to reduction or impairment by alteration, amendment or repeal.

(2) (a) For members who begin participating in the Judicial Retirement Plan on or after January 1, 2014, the General Assembly reserves the right to amend, suspend, or reduce the benefits and rights provided under KRS 21.345 to 21.580 if, in its judgment, the welfare of the Commonwealth so demands, except that the amount of benefits the member has accrued at the time of amendment, suspension, or reduction shall not be affected.

(b) For purposes of this subsection, the amount of benefits the member has accrued at the time of amendment, suspension, or reduction shall be limited to the accumulated account balance the member has accrued at the time of amendment, suspension, or reduction.

(c) The provisions of this subsection shall not be construed to limit the General Assembly's authority to change any other benefit or right specified by KRS 21.345 to 21.580, for members who begin participating in the Judicial Retirement Plan on or after January 1, 2014, except the benefits specified by paragraph (b) of this subsection.

(3) The provisions of this section shall not be construed to limit the General Assembly's authority to amend, reduce, or suspend the benefits and rights of members of the Judicial Retirement Plan as provided by KRS 21.345 to 21.580 that the General Assembly had the authority to amend, reduce, or suspend, prior to the effective date of this Act.

➔Section 32. KRS 21.525 is amended to read as follows:

- (1) The state, by appropriation to the Judicial Retirement Board, shall contribute annually to the Judicial Retirement System an amount equal to the percent as computed under subsection (2) of this section of the creditable compensation of

active members of the Judicial Retirement System, to be known as the "normal contributions," and an additional amount equal to one percent (1%) of the unfunded past service liabilities, plus annual interest accruing thereon at the actuarially assumed rate of interest adopted by the board to be known as the "past service contribution."

(2) The normal contribution rate shall be determined either by the entry age normal cost funding method or the unit credit actuarial method, as selected by the board. The past service liability shall be determined by actuarial methods consistent with the methods prescribed for determining the normal contribution rate. The board shall adopt the actuarial assumptions that are to be used in making the determinations.

(3) Normal contributions and the past service liability contribution for each fiscal biennium shall be determined on the basis of the actuarial valuation last preceding the commencement of the biennium.

(4) Employer costs for the hybrid cash balance plan as provided by Section 12 of this Act shall be incorporated into the employer contribution rate of the Legislators' Retirement Plan and the Judicial Retirement Plan as a new benefit tier within the plans.

→ Section 33. KRS 16.165 is amended to read as follows:

Any Department of Kentucky State Police officer, as defined in KRS 16.010, who becomes disabled after July 1, 1977, as a direct result of an injury or disease arising out of the performance of a hazardous duty in the course of employment with the department may elect to be retained on the regular payroll of the department subject to the following:

(1) Compensation paid to the officer by the department shall be adjusted and maintained at the officer's regular rate of pay based upon the officer's rank and tenure with the department and shall include annual increments, salary adjustments, and other benefits of employment; provided, however, such compensation paid to the officer by the department shall be reduced by the amount of payments received

1 by the officer from workers' compensation insurance, Social Security benefits, and
 2 other federal or state-financed disability programs designed to supplement the
 3 officer's income for which the officer is qualified and elects participation. Final
 4 compensation shall not be reduced by payments for medical care. The disabled
 5 officer's regular rate of pay, without the reductions required by this subsection, shall
 6 be his creditable compensation for purposes of KRS 16.510 to 16.652.

- 7 (2) Such officer shall be assigned by the commissioner of the Department of Kentucky
 8 State Police to a position in the department for which the officer is qualified, if the
 9 commissioner determines, based upon medical reports and recommendations
 10 submitted for that purpose, that the officer is able to perform limited duties. If it is
 11 determined that the officer is able to perform limited duties and refuses to accept an
 12 assignment from the commissioner, the officer shall not be eligible for the payment
 13 of compensation authorized by this section. If the commissioner determines that the
 14 officer is unable to perform limited duties, the officer shall be eligible for the
 15 payment of compensation authorized by this section without the performance of
 16 limited duties. Any officer adversely affected or aggrieved by a final determination
 17 of the commissioner pursuant to this section may appeal within thirty (30) days to
 18 the local Circuit Court.

- 19 (3) (a) For an officer whose participation date in the State Police Retirement
 20 System is prior to January 1, 2014, payments made pursuant to this section
 21 shall continue until the officer is eligible for normal retirement allowances
 22 pursuant to KRS 16.576 or until the officer elects early retirement allowances
 23 pursuant to KRS 16.577 or disability retirement allowances pursuant to KRS
 24 16.582.

- 25 (b) For an officer whose participation date in the State Police Retirement
 26 System is on or after January 1, 2014, payments made pursuant to this
 27 section shall continue until the officer is eligible to retire under subsection

(6)(a) of Section 8 of this Act or until the officer elects to retire under subsection (6)(b) of Section 8 of this Act or to receive disability retirement allowances pursuant to KRS 16.582.

(c) If the officer receives preretirement payments under this section or KRS 16.167 and subsequently elects disability retirement, the effective date of his disability retirement shall be the first month following the month in which the officer last receives preretirement payments under this section or KRS 16.167, KRS 16.505(16) to the contrary notwithstanding.

(4) Any Department of Kentucky State Police officer, disabled prior to July 1, 1977, as a result of severe physical injuries arising out of the performance of duty, who is unable to maintain gainful employment as a result of such injuries, but who was ineligible for retention on the regular payroll because of the date of his injury, shall, if his or her time in active service plus his or her time on disability retirement allowance equal the time necessary for normal retirement pursuant to KRS 16.505(15), have his or her retirement allowance increased to the amount he or she would receive, had he or she been retained on the regular payroll of the department pursuant to this section and had he or she subsequently elected normal retirement pursuant to KRS 16.576 when first eligible, but any survivor option which he or she chose at the time of disability retirement shall not be changed.

➔Section 34. KRS 16.505 is amended to read as follows:

As used in KRS 16.505 to 16.652, unless the context otherwise requires:

- (1) "System" means the State Police Retirement System created by KRS 16.505 to 16.652;
- (2) "Board" means the board of trustees of the Kentucky Retirement Systems;
- (3) "Employer" or "State Police" means the Department of Kentucky State Police, or its successor;
- (4) "Current service" means the number of years and completed months of employment

1 as an employee subsequent to July 1, 1958, for which creditable compensation was
2 paid by the employer and employee contributions deducted except as otherwise
3 provided;

4 (5) "Prior service" means the number of years and completed months of employment as
5 an employee prior to July 1, 1958, for which creditable compensation was paid to
6 the employee by the Commonwealth. Twelve (12) months of current service in the
7 system are required to validate prior service;

8 (6) "Service" means the total of current service and prior service;

9 (7) "Accumulated contributions" at any time means the sum of all amounts deducted
10 from the compensation of a member and credited to his individual account in the
11 member's ~~contribution~~ account, including employee contributions picked up after
12 August 1, 1982, pursuant to KRS 16.545(4), together with interest credited on such
13 amounts as provided in KRS 16.505 to 16.652, and any other amounts the member
14 shall have contributed, including interest credited. For members who begin
15 participating on or after September 1, 2008, "accumulated contributions" shall not
16 include employee contributions that are deposited into accounts established
17 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510,
18 61.515, and 78.520, as prescribed by KRS 61.702(2)(b);

19 (8) "Creditable compensation" means all salary and wages, including payments for
20 compensatory time, paid to the employee as a result of services performed for the
21 employer or for time during which the member is on paid leave, which are
22 includable on the member's federal form W-2 wage and tax statement under the
23 heading "wages, tips, other compensation," including employee contributions
24 picked up after August 1, 1982, pursuant to KRS 16.545(4). A lump-sum bonus,
25 severance pay, or employer-provided payment for purchase of service credit shall be
26 included as creditable compensation but shall be averaged over the employee's total
27 service with the system in which it is recorded if it is equal to or greater than one

thousand dollars (\$1,000). Living allowances, expense reimbursements, lump-sum payments for accrued vacation leave, and other items determined by the board shall be excluded. Creditable compensation shall also include amounts which are not includable in the member's gross income by virtue of the member having taken a voluntary salary reduction provided for under applicable provisions of the Internal Revenue Code. Creditable compensation shall also include elective amounts for qualified transportation fringes paid or made available on or after January 1, 2001, for calendar years on or after January 1, 2001, that are not includable in the gross income of the employee by reason of 26 U.S.C. sec. 132(f)(4). For employees who begin participating on or after September 1, 2008, creditable compensation shall not include payments for compensatory time;

(9) "Final compensation" means:

(a) For a member who begins participating before September 1, 2008, the creditable compensation of a member during the three (3) fiscal years he was paid at the highest average monthly rate divided by the number of months of service credit during the three (3) year period, multiplied by twelve (12); the three (3) years may be fractional and need not be consecutive. If the number of months of service credit during the three (3) year period is less than twenty-four (24), one (1) or more additional fiscal years shall be used; or

(b) For a member who begins participating on or after September 1, 2008, but prior to January 1, 2014, the creditable compensation of the member during the three (3) complete fiscal years he or she was paid at the highest average monthly rate divided by three (3). Each fiscal year used to determine final compensation must contain twelve (12) months of service credit;

(10) "Final rate of pay" means the actual rate upon which earnings of a member were calculated during the twelve (12) month period immediately preceding the member's effective retirement date, including employee contributions picked up

1 after August 1, 1982, pursuant to KRS 16.545(4). The rate shall be certified to the
2 system by the employer and the following equivalents shall be used to convert the
3 rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour
4 workdays, one thousand nine hundred fifty (1,950) hours for seven and one-half (7-
5 1/2) hour workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve (12)
6 months, or one (1) year;

7 (11) "Retired member" means any former member receiving a retirement allowance or
8 any former member who has filed the necessary documents for retirement benefits
9 and is no longer contributing to the retirement system;

10 (12) "Retirement allowance" means the retirement payments to which a retired member
11 is entitled;

12 (13) "Actuarial equivalent" means a benefit of equal value when computed upon the
13 basis of actuarial tables adopted by the board. In cases of disability retirement, the
14 options authorized by KRS 61.635 shall be computed by adding ten (10) years to
15 the age of the member, unless the member has chosen the Social Security
16 adjustment option as provided for in KRS 61.635(8), in which case the member's
17 actual age shall be used. For members who began participating in the system prior
18 to January 1, 2014, no disability retirement option shall be less than the same
19 option computed under early retirement;

20 (14) "Authorized leave of absence" means any time during which a person is absent from
21 employment but retained in the status of an employee in accordance with the
22 personnel policy of the Department of Kentucky State Police;

23 (15) "Normal retirement date" means:

24 (a) For a member who begins participating before September 1, 2008, the first
25 day of the month following a member's fifty-fifth birthday, except that for
26 members over age fifty-five (55) on July 1, 1958, it shall mean January 1,
27 1959; or

- 1 (b) For a member who begins participating on or after September 1, 2008, the
 2 first day of the month following a member's sixtieth birthday;
- 3 (16) "Disability retirement date" means the first day of the month following the last day
 4 of paid employment;
- 5 (17) "Dependent child" means a child in the womb and a natural or legally adopted child
 6 of the member who has neither attained age eighteen (18) nor married or who is an
 7 unmarried full-time student who has not attained age twenty-two (22);
- 8 (18) "Optional allowance" means an actuarially equivalent benefit elected by the member
 9 in lieu of all other benefits provided by KRS 16.505 to 16.652;
- 10 (19) "Act in line of duty" means an act occurring or a thing done, which, as determined
 11 by the board, was required in the performance of the duties specified in KRS
 12 16.060. For employees in hazardous positions under KRS 61.592, an "act in line of
 13 duty" shall mean an act occurring which was required in the performance of the
 14 principal duties of the position as defined by the job description;
- 15 (20) "Early retirement date" means:
- 16 (a) For a member who begins participating before September 1, 2008, the
 17 retirement date declared by a member who is not less than fifty (50) years of
 18 age and has fifteen (15) years of service; or
- 19 (b) For a member who begins participating on or after September 1, 2008, but
 20 prior to January 1, 2014, the retirement date declared by a member who is
 21 not less than fifty (50) years of age and has fifteen (15) years of service
 22 credited under KRS 16.543(1), 61.543(1), or 78.615(1) or another state-
 23 administered retirement system;
- 24 (21) "Member" means any officer included in the membership of the system as provided
 25 under KRS 16.520 whose membership has not been terminated under KRS 61.535;
- 26 (22) "Regular full-time officers" means the occupants of positions as set forth in KRS
 27 16.010;

- 1 (23) "Hazardous disability" as used in KRS 16.505 to 16.652 means a disability which
2 results in an employee's total incapacity to continue as an employee in a hazardous
3 position, but the employee is not necessarily deemed to be totally and permanently
4 disabled to engage in other occupations for remuneration or profit;
- 5 (24) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,
6 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of
7 pay. The rate shall be certified by the employer;
- 8 (25) "Beneficiary" means the person, persons, estate, trust, or trustee designated by the
9 member in accordance with KRS 61.542 or 61.705 to receive any available benefits
10 in the event of the member's death. As used in KRS 61.702, "beneficiary" does not
11 mean an estate, trust, or trustee;
- 12 (26) "Recipient" means the retired member, the person or persons designated as
13 beneficiary by the member and drawing a retirement allowance as a result of the
14 member's death, or a dependent child drawing a retirement allowance. An alternate
15 payee of a qualified domestic relations order shall not be considered a recipient,
16 except for purposes of KRS 61.623;
- 17 (27) "Person" means a natural person;
- 18 (28) "Retirement office" means the Kentucky Retirement Systems office building in
19 Frankfort;
- 20 (29) "Delayed contribution payment" means an amount paid by an employee for
21 purchase of current service. The amount shall be determined using the same formula
22 in KRS 61.5525, and the payment shall not be picked up by the employer. A
23 delayed contribution payment shall be deposited to the member's~~{contribution}~~
24 account and considered as accumulated contributions of the individual member;
- 25 (30) "Last day of paid employment" means the last date employer and employee
26 contributions are required to be reported in accordance with KRS 16.543, 61.543, or
27 78.615 to the retirement office in order for the employee to receive current service

1 credit for the month. Last day of paid employment does not mean a date the
 2 employee receives payment for accrued leave, whether by lump sum or otherwise, if
 3 that date occurs twenty-four (24) or more months after previous contributions;

4 (31) "Objective medical evidence" means reports of examinations or treatments; medical
 5 signs which are anatomical, physiological, or psychological abnormalities that can
 6 be observed; psychiatric signs which are medically demonstrable phenomena
 7 indicating specific abnormalities of behavior, affect, thought, memory, orientation,
 8 or contact with reality; or laboratory findings which are anatomical, physiological,
 9 or psychological phenomena that can be shown by medically acceptable laboratory
 10 diagnostic techniques, including but not limited to chemical tests,
 11 electrocardiograms, electroencephalograms, X-rays, and psychological tests;

12 (32) "Fiscal year" of the system means the twelve (12) months from July 1 through the
 13 following June 30, which shall also be the plan year. The "fiscal year" shall be the
 14 limitation year used to determine contribution and benefit limits established by 26
 15 U.S.C. sec. 415;

16 (33) "Participating" means an employee is currently earning service credit in the system
 17 as provided in KRS 16.543;

18 (34) "Month" means a calendar month;

19 (35) "Membership date" means the date upon which the member began participating in
 20 the system as provided by KRS 16.543;

21 (36) "Participant" means a member, as defined by subsection (21) of this section, or a
 22 retired member, as defined by subsection (11) of this section;

23 (37) "Qualified domestic relations order" means any judgment, decree, or order,
 24 including approval of a property settlement agreement, that:

25 (a) Is issued by a court or administrative agency; and

26 (b) Relates to the provision of child support, alimony payments, or marital
 27 property rights to an alternate payee; {and}

(38) "Alternate payee" means a spouse, former spouse, child, or other dependent of a participant, who is designated to be paid retirement benefits in a qualified domestic relations order;

(39) "Accumulated employer credit" means the employer pay credit deposited to the member's account and interest credited on such amounts as provided by Section 8 of this Act; and

(40) "Accumulated account balance" means:

(a) For members who began participating in the system prior to January 1, 2014, the member's accumulated contributions; or

(b) For members who began participating in the system on or after January 1, 2014, in the hybrid cash balance plan as provided by Section 8 of this Act, the combined sum of the member's accumulated contributions and the member's accumulated employer pay credit.

➔ Section 35. KRS 16.555 is amended to read as follows:

All the assets of the system shall be held and invested in the State Police Retirement Fund and credited, according to the purpose for which they are held, to one (1) of three (3) accounts: the "~~members'~~ ~~member contribution~~" account," the "retirement allowance account," and accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515, and 78.520, as prescribed by KRS 61.702(2)(b).

➔ Section 36. KRS 16.560 is amended to read as follows:

(1) The member ~~contribution~~ account shall be the account to which:

(a) All members' contributions, or contributions picked up by the employer after August 1, 1982, and interest allowances as provided in KRS 16.505 to 16.652 shall be credited, except as provided by KRS 61.702(2)(b); **and**

(b) For members who begin participating in the system on or after January 1, 2014, the employer pay credit and interest credited on such amounts as provided by Section 8 of this Act shall be credited.

1 Only funds from this account shall be used to return accumulated contributions or
 2 accumulated account balances of a member when required by reason of any
 3 provision of KRS 16.505 to 16.652. Prior to the member's retirement, death, or
 4 refund in accordance with KRS 61.625, no funds shall be made available from the
 5 member's~~contribution~~ account.

6 (2) Each member's contribution or contribution picked up by the employer shall be
 7 credited to the individual account of the contributing member, except as provided
 8 by KRS 61.702(2)(b).

9 (3) (a) Each member~~on June 30 of each year~~ shall have his individual account
 10 credited with interest on June 30 of each fiscal year.

11 (b) For members who begin participating before September 1, 2008, interest shall
 12 be credited to their individual account at a rate determined by the board but
 13 not less than two and one-half percent (2.5%) per annum on the accumulated
 14 account balance~~contributions~~ of the member on June 30 of the preceding
 15 fiscal year.

16 (c) For members who begin participating on or after September 1, 2008, but prior
 17 to January 1, 2014, interest shall be credited to their individual account at a
 18 rate of two and one-half percent (2.5%) per annum on the accumulated
 19 account balance~~contributions~~ of the member on June 30 of the preceding
 20 fiscal year.

21 (d) For members who begin participating on or after January 1, 2014, in the
 22 hybrid cash balance plan, interest shall be credited to their individual
 23 account in accordance with Section 8 of this Act.

24 ~~(e)~~~~(d)~~ The amounts of interest credited to a member's account under this
 25 subsection and Section 8 of this Act and the employer pay credit as provided
 26 by Section 8 of this Act shall be transferred from the retirement allowance
 27 account.

1 (4) (a) Upon the retirement of a member who began participating in the system
 2 prior to January 1, 2014, his or her accumulated account
 3 balance~~[contribution]~~ shall be transferred from the member's~~[contribution]~~
 4 account to the retirement allowance account.

5 (b) Upon the retirement of a member who began participating in the system on
 6 or after January 1, 2014, who elects to annuitize his or her accumulated
 7 account balance as prescribed by subsection (7)(a) or (b) of Section 8 of this
 8 Act, the member's accumulated account balance shall be transferred to the
 9 retirement allowance account.

10 (5) Included as a part of such member's~~[contribution]~~ account shall be his accumulated
 11 account balance~~[contributions]~~ in the Kentucky Employees Retirement System, if
 12 any, transferred to this system.

13 ➔Section 37. KRS 16.565 is amended to read as follows:

14 The retirement allowance account shall be the account in which shall be accumulated all
 15 employer contributions, amounts transferred from the member~~[contribution]~~ account,
 16 and to which all income from the investment assets of the system shall be credited. From
 17 this account there shall be paid administrative expenses and in addition all benefits
 18 payable under KRS 16.510 to 16.652. There shall be transferred from this account to the
 19 member~~[contribution]~~ account:

20 (1) The employer pay credit added monthly to each member's individual accounts as
 21 provided by Section 8 of this Act; and

22 (2) The interest credited annually to each member's individual accounts as provided by
 23 KRS 16.505 to 16.652.

24 ➔Section 38. KRS 16.576 is amended to read as follows:

25 (1) (a) Any member who begins participating before September 1, 2008, who has at
 26 least five (5) years of service credit may retire at his normal retirement date, or
 27 subsequent thereto, upon written notification to the system, setting forth at

1 what date the retirement is to become effective, if the effective date shall be
2 after his last day of service and subsequent to the filing of the notice at the
3 retirement office.

4 (b) Any member who begins participating on or after September 1, 2008, who has
5 at least five (5) years of service credited under KRS 16.543(1), 61.543(1), or
6 78.615(1) or another state-administered retirement system may retire at his or
7 her normal retirement date, or subsequent thereto, upon written notification to
8 the system, setting forth what date the retirement is to become effective, if the
9 effective date shall be after his or her last day of service and subsequent to the
10 filing of the notice at the retirement office.

11 (2) The member shall have the right to elect to have his retirement allowance payable
12 under subsection (3), (4), or (6) of this section or any one (1) of the plans set forth
13 in KRS 61.635.

14 (3) (a) Effective August 1, 1990, a member of the Kentucky State Police Retirement
15 System may elect to receive an annual retirement allowance, payable monthly
16 during his lifetime, equal to two and five-tenths percent (2.5%) of final
17 compensation for each year of service credit. Effective August 1, 1988, a
18 member of the County Employees Retirement System covered by this section
19 may elect to receive an annual retirement allowance, payable monthly during
20 his lifetime, equal to two and five-tenths percent (2.5%) of final compensation
21 for each year of service credit. Effective August 1, 1988, a member of the
22 Kentucky Employees Retirement System covered by this section may elect to
23 receive an annual retirement allowance, payable monthly during his lifetime,
24 equal to two and forty-nine hundredths percent (2.49%) of final compensation
25 for each year of service credit. The annual retirement allowance for a member
26 covered by this section shall not exceed the maximum benefit as set forth in
27 the Internal Revenue Code.

1 (b) A member of the State Police Retirement System, a member of the Kentucky
 2 Employees Retirement System covered by this section, or a member of the
 3 County Employees Retirement System covered by this section, whose
 4 participation begins on or after September 1, 2008, but prior to January 1,
 5 2014, shall receive an annual retirement allowance, payable monthly during
 6 his or her lifetime, equal to:

- 7 1. One and three-tenths percent (1.3%) of final compensation for each year
 8 of service credit if the employee has earned ten (10) or less years of
 9 service at retirement;
- 10 2. One and one-half percent (1.5%) of final compensation for each year of
 11 service credit if the employee has earned greater than ten (10) but no
 12 more than twenty (20) years of service at retirement;
- 13 3. Two and one-quarter percent (2.25%) of final compensation for each
 14 year of service credit if the employee has earned greater than twenty (20)
 15 but less than twenty-five (25) years of service at retirement; or
- 16 4. Two and one-half percent (2.5%) of final compensation for each year of
 17 service credit if the employee has earned twenty-five (25) or more years
 18 of service at retirement.

19 (4) The member may elect to receive a monthly retirement allowance payable for ten
 20 (10) years certain, actuarially equivalent to the retirement allowance payable under
 21 subsection (3) of this section. If the member should become deceased prior to the
 22 expiration of ten (10) years, his beneficiary, unless the beneficiary is the member's
 23 estate, shall receive the remaining payments monthly for the duration of the ten (10)
 24 years. If the member's estate is the beneficiary, the member's estate shall receive a
 25 lump-sum payment which shall be the actuarial equivalent to the remaining
 26 payments. The provisions of KRS 61.702 notwithstanding, the member who retired
 27 on June 17, 1978, or thereafter, and his spouse and eligible dependents shall

1 continue to receive the insurance benefits to which they are entitled pursuant to
 2 KRS 61.702 after the expiration of ten (10) years. Effective with any insurance
 3 contract procured, or self-insurance plan instituted, after July 15, 1990, a member
 4 who retired prior to June 17, 1978, and his spouse and eligible dependents shall
 5 receive insurance benefits pursuant to KRS 61.702 upon payment by the member or
 6 beneficiary of the entire cost of the required insurance premium.

7 (5) Notwithstanding any other provisions of this section, upon written notification to
 8 the system, a member shall have the option to defer his election to receive his
 9 retirement allowance. The retirement allowance payable under a deferred option
 10 shall be increased to reflect the deferred receipt of benefits.

11 (6) In lieu of any other benefits due under KRS 16.505 to 16.652, a member who
 12 begins participating before September 1, 2008, who has attained age fifty-five (55)
 13 and who has attained at least one (1) month of service credit but no more than fifty-
 14 nine (59) months of service credit may elect to receive an annual retirement
 15 allowance, payable monthly or less frequently as determined by the board, which
 16 shall be determined by multiplying his accumulated contributions by two (2) and
 17 converting this amount to an annual retirement allowance based on an annuity rate
 18 adopted by the board which would pay the actuarial equivalent of twice his
 19 accumulated contributions over the lifetime of the retired member.

20 (7) Subsections (1) to (6) of this section shall not apply to members who begin
 21 participating in the system on or after January 1, 2014. Members who begin
 22 participating in the system on or after January 1, 2014, shall receive the
 23 retirement benefit calculation prescribed by Section 8 of this Act.

24 ➔Section 39. KRS 16.577 is amended to read as follows:

25 (1) Upon retirement at early retirement date, a member may receive an annual
 26 retirement allowance payable monthly during his lifetime which shall be determined
 27 in the same manner as for retirement at his normal retirement date, with years of

1 service and final compensation being determined as of the date of his actual
 2 retirement, but the amount of the retirement allowance so determined shall be
 3 reduced at an amount determined by the board's actuary to reflect the earlier
 4 commencement of benefits.

5 (2) For a member who begins participating before September 1, 2008, there shall be no
 6 reduction in the retirement allowance if the member has twenty (20) or more years
 7 of service credit, at least fifteen (15) of which are current service.

8 (3) For a member who begins participating on or after September 1, 2008, but prior to
 9 January 1, 2014, there shall be no reduction in the retirement allowance if the
 10 member has twenty-five (25) or more years of service credited under KRS
 11 16.543(1), 61.543(1), or 78.615(1) or another state-administered retirement system.

12 (4) Subsections (1) to (3) of this section shall not apply to members who begin
 13 participating in the system on or after January 1, 2014. Members who begin
 14 participating in the system on or after January 1, 2014, shall receive the
 15 retirement benefit calculation prescribed by Section 8 of this Act.

16 ➔Section 40. KRS 16.578 is amended to read as follows:

17 (1) If a member dies prior to the first day of the month in which the member would
 18 have received his or her first retirement allowance, the member's beneficiary shall
 19 be eligible for the benefits provided by this section if the member had on file a
 20 written designation of a beneficiary with the retirement office as provided by KRS
 21 61.542 and the member met the following conditions at the date of his or her death:

22 (a) The member was eligible to retire under KRS 16.576, ~~or~~ 16.577, or
 23 subsection (6) of Section 8 of this Act;

24 (b) The member was in active employment or on authorized leave of absence with
 25 five (5) or more years of service credit and died prior to his or her normal
 26 retirement date; or

27 (c) The member was not in active employment or on authorized leave of absence

1 with twelve (12) or more years of service credit and died prior to his or her
2 normal retirement date.

3 (2) If the beneficiary eligible for benefits as provided in subsection (1) of this section is
4 a single person, then the beneficiary may elect to receive:

5 (a) A monthly benefit payable for the life of the beneficiary that is equal to the
6 benefit that would have been paid had the member retired immediately prior
7 to his or her date of death and elected to receive benefits payable under the
8 survivorship one hundred percent (100%) option as provided in KRS
9 61.635(2);

10 (b) A monthly benefit payable for the life of the beneficiary under the beneficiary
11 Social Security adjustment option as provided in KRS 61.635(9) that is the
12 actuarial equivalent to the amount computed under paragraph (a) of this
13 subsection;

14 (c) A monthly benefit payable for a period of sixty (60) months that is the
15 actuarial equivalent to the amount computed under paragraph (a) of this
16 subsection;

17 (d) A monthly benefit payable for a period of one hundred twenty (120) months
18 that is the actuarial equivalent to the amount computed under paragraph (a) of
19 this subsection;

20 (e) *If the member began participating in the system prior to January 1, 2014,* a
21 monthly benefit payable for a period of one hundred twenty (120) months that
22 is equivalent to the benefit the member would have been entitled to receive
23 based on his or her years of service and final compensation at the date of his
24 or her death reduced by the survivorship fifty percent (50%) factor as provided
25 for in KRS 61.635(4), then reduced by fifty percent (50%), and that is the
26 actuarial equivalent to the amount computed under paragraph (a) of this
27 subsection; or

1 (f) The higher of a refund of the member's accumulated account
 2 balance~~{contributions}~~ and interest as described in KRS 61.625(1) or a one
 3 (1) time lump-sum payment which shall be the actuarial equivalent of the
 4 amount payable under paragraph (a) of this subsection for a period of sixty
 5 (60) months.

6 (3) If the beneficiary eligible for benefits as provided in subsection (1) of this section
 7 are multiple beneficiaries or a trust, then the multiple beneficiaries by consensus or
 8 the trustee may elect to receive the actuarial equivalent amounts payable under
 9 subsection (2)(c), (d), (e), or (f) of this section using the assumption that the
 10 beneficiary's age is the same as the member's age.

11 (4) If the beneficiary eligible for benefits as provided in subsection (1) of this section is
 12 the member's estate, then the beneficiary shall receive the higher of a refund of the
 13 member's accumulated account balance~~{contributions}~~ and interest as described in
 14 KRS 61.625(1) or the one (1) time lump-sum payment payable under subsection
 15 (2)(f) of this section, using the assumption that the beneficiary's age is the same as
 16 the member's age.

17 (5) Payments of taxable distributions made pursuant to this section shall be subject to
 18 state and federal tax as appropriate.

19 ➔Section 41. KRS 16.582 is amended to read as follows:

20 (1) (a) Total and permanent disability means a disability which results in the
 21 member's incapacity to engage in any occupation for remuneration or profit.

22 Loss by severance of both hands at or above the wrists, or both feet at or
 23 above the ankles, or one (1) hand above the wrist and one (1) foot above the
 24 ankle, or the complete, irrevocable loss of the sight of both eyes shall be
 25 considered as total and permanent.

26 (b) Hazardous disability means a disability which results in the member's total
 27 incapacity to continue as a regular full-time officer or as an employee in a

1 hazardous position, as defined in KRS 61.592, but which does not result in the
2 member's total and permanent incapacity to engage in other occupations for
3 remuneration or profit.

4 (c) In determining whether the disability meets the requirement of this section,
5 any reasonable accommodation provided by the employer as provided in 42
6 U.S.C. sec. 12111(9) and 29 C.F.R. Part 1630 shall be considered.

7 (d) If the board determines that the total and permanent disability of a member
8 receiving a retirement allowance under this section has ceased, then the board
9 shall determine if the member has a hazardous disability.

10 (2) Any person may qualify to retire on disability, subject to the following:

11 (a) The person shall have sixty (60) months of service, twelve (12) of which shall
12 be current service credited under KRS 16.543(1), 61.543(1), or 78.615(1). The
13 service requirement shall be waived if the disability is a total and permanent
14 disability or a hazardous disability and is a direct result of an act in line of
15 duty;

16 (b) For a person whose membership date is prior to August 1, 2004, the person
17 shall not be eligible for an unreduced retirement allowance;

18 (c) The person's application shall be on file in the retirement office no later than
19 twenty-four (24) months after the person's last day of paid employment, as
20 defined in KRS 16.505, as a regular full-time officer or in a regular full-time
21 hazardous position under KRS 61.592;

22 (d) The person shall receive a satisfactory determination pursuant to KRS 61.665;
23 and

24 (e) A person's disability application based on the same claim of incapacity shall
25 be accepted and reconsidered for disability if accompanied by new objective
26 medical evidence. The application shall be on file in the retirement office no
27 later than twenty-four (24) months after the person's last day of paid

1 employment as a regular full-time officer or in a regular full-time hazardous
2 position.

3 (3) Upon the examination of the objective medical evidence by licensed physicians
4 pursuant to KRS 61.665, it shall be determined that:

5 (a) The incapacity results from bodily injury, mental illness, or disease. For
6 purposes of this section, "injury" means any physical harm or damage to the
7 human organism other than disease or mental illness;

8 (b) The incapacity is deemed to be permanent; and

9 (c) The incapacity does not result directly or indirectly from:

- 10 1. Injury intentionally self-inflicted while sane or insane;
- 11 2. Injury or disease resulting from military service; or
- 12 3. Bodily injury, mental illness, disease, or condition which pre-existed

13 membership in the system or reemployment, whichever is most recent,
14 unless:

15 a. The disability results from bodily injury, mental illness, disease, or
16 a condition which has been substantially aggravated by an injury or
17 accident arising out of or in the course of employment; or

18 b. The person has at least sixteen (16) years' current or prior service
19 for employment with employers participating in the retirement
20 systems administered by the Kentucky Retirement Systems.

21 For purposes of this subparagraph, "reemployment" shall not mean a
22 change of employment between employers participating in the
23 retirement systems administered by the Kentucky Retirement Systems
24 with no loss of service credit.

25 (4) (a) 1. An incapacity shall be deemed to be permanent if it is expected to result
26 in death or can be expected to last for a continuous period of not less
27 than twelve (12) months from the person's last day of paid employment

1 in a position as regular full-time officer or a hazardous position.

2 2. The determination of a permanent incapacity shall be based on the
3 medical evidence contained in the member's file and the member's
4 residual functional capacity and physical exertion requirements.

5 (b) The person's residual functional capacity shall be the person's capacity for
6 work activity on a regular and continuing basis. The person's physical ability
7 shall be assessed in light of the severity of the person's physical, mental, and
8 other impairments. The person's ability to walk, stand, carry, push, pull, reach,
9 handle, and other physical functions shall be considered with regard to
10 physical impairments. The person's ability to understand, remember, and carry
11 out instructions and respond appropriately to supervision, coworkers, and
12 work pressures in a work setting shall be considered with regard to mental
13 impairments. Other impairments, including skin impairments, epilepsy, visual
14 sensory impairments, postural and manipulative limitations, and
15 environmental restrictions, shall be considered in conjunction with the
16 person's physical and mental impairments to determine residual functional
17 capacity.

18 (c) The person's physical exertion requirements shall be determined based on the
19 following standards:

- 20 1. Sedentary work shall be work that involves lifting no more than ten (10)
21 pounds at a time and occasionally lifting or carrying articles such as
22 large files, ledgers, and small tools. Although a sedentary job primarily
23 involves sitting, occasional walking and standing may also be required
24 in the performance of duties.
- 25 2. Light work shall be work that involves lifting no more than twenty (20)
26 pounds at a time with frequent lifting or carrying of objects weighing up
27 to ten (10) pounds. A job shall be in this category if lifting is

infrequently required but walking and standing are frequently required, or if the job primarily requires sitting with pushing and pulling of arm or leg controls. If the person has the ability to perform substantially all of these activities, the person shall be deemed capable of light work. A person deemed capable of light work shall be deemed capable of sedentary work unless the person has additional limitations such as the loss of fine dexterity or inability to sit for long periods.

3. Medium work shall be work that involves lifting no more than fifty (50) pounds at a time with frequent lifting or carrying of objects weighing up to twenty-five (25) pounds. If the person is deemed capable of medium work, the person shall be deemed capable of light and sedentary work.

4. Heavy work shall be work that involves lifting no more than one hundred (100) pounds at a time with frequent lifting or carrying of objects weighing up to fifty (50) pounds. If the person is deemed capable of heavy work, the person shall also be deemed capable of medium, light, and sedentary work.

5. Very heavy work shall be work that involves lifting objects weighing more than one hundred (100) pounds at a time with frequent lifting or carrying of objects weighing fifty (50) or more pounds. If the person is deemed capable of very heavy work, the person shall be deemed capable of heavy, medium, light, and sedentary work.

(5) (a) The disability retirement allowance shall be determined as provided in KRS 16.576, except if the member's total service credit on his last day of paid employment in a regular full-time position is less than twenty (20) years, service shall be added beginning with his last date of paid employment and continuing to his fifty-fifth birthday. The maximum service credit added shall not exceed the total service the member had on his last day of paid

employment, and the maximum service credit for calculating his retirement allowance, including his total service and service added under this section, shall not exceed twenty (20) years.

(b) For a member whose participation begins on or after August 1, 2004, but prior to January 1, 2014, the disability retirement allowance shall be the higher of twenty-five percent (25%) of the member's monthly final rate of pay or the retirement allowance determined in the same manner as for retirement at his normal retirement date with years of service and final compensation being determined as of the date of his disability.

(c) For a member who begins participating on or after January 1, 2014, in the hybrid cash balance plan as provided by Section 8 of this Act, the disability retirement allowance shall be the higher of twenty-five percent (25%) of the member's monthly final rate of pay or the retirement allowance determined in the same manner as for retirement at his or her normal retirement date under Section 8 of this Act.

(6) If the member receives a satisfactory determination of total and permanent disability or hazardous disability pursuant to KRS 61.665 and the disability is the direct result of an act in line of duty, the member's retirement allowance shall be calculated as follows:

(a) For the disabled member, benefits as provided in subsection (5) of this section except that the monthly retirement allowance payable shall not be less than twenty-five percent (25%) of the member's monthly final rate of pay; and

(b) For each dependent child of the member on his disability retirement date, who is alive at the time any particular payment is due, a monthly payment equal to ten percent (10%) of the disabled member's monthly final rate of pay; however, total maximum dependent children's benefit shall not exceed forty percent (40%) of the member's monthly final rate of pay. The payments shall

1 be payable to each dependent child, or to a legally appointed guardian or as
2 directed by the system.

3 (7) No benefit provided in this section shall be reduced as a result of any change in the
4 extent of disability of any retired member who is age fifty-five (55) or older.

5 (8) If a regular full-time officer or hazardous position member has been approved for
6 benefits under a hazardous disability, the board shall, upon request of the member,
7 permit the member to receive the hazardous disability allowance while accruing
8 benefits in a nonhazardous position, subject to proper medical review of the
9 nonhazardous position's job description by the system's medical examiner.

10 (9) For a member of the State Police Retirement System, in lieu of the allowance
11 provided in subsection (5) or (6) of this section, the member may be retained on the
12 regular payroll and receive the compensation authorized by KRS 16.165, if he is
13 qualified.

14 ➔Section 42. KRS 16.601 is amended to read as follows:

15 (1) If the death of a member in service occurs on or after August 1, 1992, as a direct
16 result of an "act in line of duty" and the member has on file in the retirement office
17 at the time of his death a written designation of only one (1) beneficiary, who is his
18 spouse, the beneficiary may elect to receive a lump-sum payment of ten thousand
19 dollars (\$10,000) and a monthly payment equal to twenty-five percent (25%) of the
20 member's monthly final rate of pay beginning in the month following the member's
21 death and continuing each month until death.

22 (2) If the death of a member in service occurs on or after July 1, 1968, as a direct result
23 of an "act in line of duty" and the member has on file in the retirement office at the
24 time of his death a written designation of only one (1) beneficiary other than his
25 spouse, who is a dependent receiving at least one-half (1/2) of his support from the
26 deceased member, the beneficiary may elect to receive a lump-sum payment of ten
27 thousand dollars (\$10,000).

1 (3) In the period of time following a member's death during which dependent children
 2 survive, monthly payments shall be made for each dependent child who is alive,
 3 equal to ten percent (10%) of the deceased member's monthly final rate of pay;
 4 however, total maximum dependent children's benefits shall not be greater than
 5 forty percent (40%) of the deceased member's monthly final rate of pay at the time
 6 any particular payment is due. The payments shall commence in the month
 7 following the date of death of the member and shall be payable to the beneficiaries,
 8 or to a legally appointed guardian or as directed by the system. Benefits shall be
 9 payable under this subsection notwithstanding an election by a beneficiary to
 10 withdraw the deceased member's accumulated account balance~~contributions~~ as
 11 provided in KRS 61.625 or benefits under any other provisions of KRS 16.510 to
 12 16.652.

13 (4) A beneficiary eligible for benefits under subsection (1) or (2) of this section who is
 14 also eligible for benefits under any other provisions of KRS 16.510 to 16.652 may
 15 elect benefits under this section or any other section of KRS 16.510 to 16.652 but
 16 cannot elect to receive both.

17 ➔Section 43. KRS 16.645 is amended to read as follows:

18 The following subjects shall be administered in the same manner subject to the same
 19 limitations and requirements as provided for the Kentucky Employees Retirement System
 20 as follows:

- 21 (1) Cessation of membership, as provided for by KRS 61.535;
- 22 (2) Medical examiners and hearing procedures, as provided for by KRS 61.665;
- 23 (3) Actuarial bases, as provided for by KRS 61.670;
- 24 (4) Duties of the employer, as provided for by KRS 61.675;
- 25 (5) Exemption of benefits of the system for taxation and qualified domestic relations
 26 orders, as provided for by KRS 61.690;
- 27 (6) Retirement allowance increase, as provided for by KRS 61.691;

- 1 (7) Calculation of retirement allowance, as provided for by Section 11 of this Act~~KRS~~
2 ~~61.595(3) and (4)]~~;
- 3 (8) Beneficiaries to be designated by member, change, rights, as provided for by KRS
4 61.542;
- 5 (9) Year of service credit, as provided for by KRS 61.545;
- 6 (10) Refund of contributions, death after retirement, as provided by KRS 61.630;
- 7 (11) Custodian of fund, payments made, when, as provided for by KRS 61.660;
- 8 (12) Credit for service prior to membership date, as provided for by KRS 61.526;
- 9 (13) Member's account, confidential, as provided for by KRS 61.661;
- 10 (14) Cessation of membership, loss of benefits, as provided for by KRS 61.550;
- 11 (15) Correction of errors in records, as provided for by KRS 61.685;
- 12 (16) Maximum disability benefit, as provided for by KRS 61.607;
- 13 (17) Retirement application procedure, effective retirement date, as provided for by KRS
14 61.590;
- 15 (18) Employer contributions, as provided for by KRS 61.565;
- 16 (19) Reinstatement of lost service credit, purchase of service credit, interest paid, and
17 delayed contribution and installment payments, as provided for by KRS 61.552;
- 18 (20) Reciprocal arrangement between systems, as provided by KRS 61.680;
- 19 (21) Refund of contributions, conditions, as provided by KRS 61.625;
- 20 (22) Hospital and medical insurance plan, as provided by KRS 61.702;
- 21 (23) Death benefit, as provided by KRS 61.705;
- 22 (24) Disability retirement allowance, reduction, and discontinuance, as provided by KRS
23 61.615;
- 24 (25) Service credit, Armed Forces, as provided by KRS 61.555;
- 25 (26) Reinstated employee, contributions on creditable compensation, as provided for by
26 KRS 61.569;
- 27 (27) Statement to be made under oath, good faith reliance, as provided for in KRS

1 61.699;

2 (28) Retirement of persons in hazardous positions, as provided for by KRS 61.592;

3 (29) Direct deposit of recipient's retirement allowance as provided in KRS 61.623;

4 (30) Purchase of service credit effective July 1, 2001, as provided in KRS 61.5525;

5 (31) Payment of small amounts upon death of member, retiree, or recipient without
6 formal administration of the estate as provided in KRS 61.703;

7 (32) Suspension of retirement payments on reemployment, reinstatement, recomputation
8 of allowance, waiver of provisions in certain instances, reemployment in a different
9 position, as provided for by KRS 61.637; ~~{and}~~

10 (33) Medical examination and financial review after disability retirement, staff review,
11 as provided in KRS 61.610; and

12 (34) Employer payment of increases in creditable compensation during the last five
13 (5) years of employment as provided by Section 10 of this Act.

14 ➔Section 44. KRS 16.652 is amended to read as follows:

15 (1) For members who begin participating in the State Police Retirement System prior
16 to January 1, 2014, it is hereby declared that in consideration of the contributions
17 by the member, and in further consideration of benefits received by the state from
18 the member's employment, KRS 16.510 to 16.645, except as provided in KRS 6.696
19 effective September 16, 1993, shall constitute an inviolable contract of the
20 Commonwealth, and the benefits provided therein shall, except as provided in KRS
21 6.696, not be subject to reduction or impairment by alteration, amendment or repeal.

22 (2) (a) For members who begin participating in the State Police Retirement System
23 on or after January 1, 2014, the General Assembly reserves the right to
24 amend, suspend, or reduce the benefits and rights provided under KRS
25 16.505 to 16.652 if, in its judgment, the welfare of the Commonwealth so
26 demand, except that the amount of benefits the member has accrued at the
27 time of amendment, suspension, or reduction shall not be affected.

(b) For purposes of this subsection, the amount of benefits the member has accrued at the time of amendment, suspension, or reduction shall be limited to the accumulated account balance the member has accrued at the time of amendment, suspension, or reduction.

(c) The provisions of this subsection shall not be construed to limit the General Assembly's authority to change any other benefit or right specified by KRS 16.505 to 16.652, for members who begin participating in the State Police Retirement System on or after January 1, 2014, except the benefits specified by paragraph (b) of this subsection.

(3) The provisions of this section shall not be construed to limit the General Assembly's authority to amend, reduce, or suspend the benefits and rights of members of the State Police Retirement System as provided by KRS 16.505 to 16.652 that the General Assembly had the authority to amend, reduce, or suspend, prior to the effective date of this Act.

➔Section 45. KRS 61.510 is amended to read as follows:

As used in KRS 61.510 to 61.705, unless the context otherwise requires:

- (1) "System" means the Kentucky Employees Retirement System created by KRS 61.510 to 61.705;
- (2) "Board" means the board of trustees of the system as provided in KRS 61.645;
- (3) "Department" means any state department or board or agency participating in the system in accordance with appropriate executive order, as provided in KRS 61.520. For purposes of KRS 61.510 to 61.705, the members, officers, and employees of the General Assembly and any other body, entity, or instrumentality designated by executive order by the Governor, shall be deemed to be a department, notwithstanding whether said body, entity, or instrumentality is an integral part of state government;
- (4) "Examiner" means the medical examiners as provided in KRS 61.665;

- 1 (5) "Employee" means the members, officers, and employees of the General Assembly
2 and every regular full-time, appointed or elective officer or employee of a
3 participating department, including the Department of Military Affairs. The term
4 does not include persons engaged as independent contractors, seasonal, emergency,
5 temporary, interim, and part-time workers. In case of any doubt, the board shall
6 determine if a person is an employee within the meaning of KRS 61.510 to 61.705;
- 7 (6) "Employer" means a department or any authority of a department having the power
8 to appoint or select an employee in the department, including the Senate and the
9 House of Representatives, or any other entity, the employees of which are eligible
10 for membership in the system pursuant to KRS 61.525;
- 11 (7) "State" means the Commonwealth of Kentucky;
- 12 (8) "Member" means any employee who is included in the membership of the system or
13 any former employee whose membership has not been terminated under KRS
14 61.535;
- 15 (9) "Service" means the total of current service and prior service as defined in this
16 section;
- 17 (10) "Current service" means the number of years and months of employment as an
18 employee, on and after July 1, 1956, except that for members, officers, and
19 employees of the General Assembly this date shall be January 1, 1960, for which
20 creditable compensation is paid and employee contributions deducted, except as
21 otherwise provided, and each member, officer, and employee of the General
22 Assembly shall be credited with a month of current service for each month he
23 serves in the position;
- 24 (11) "Prior service" means the number of years and completed months, expressed as a
25 fraction of a year, of employment as an employee, prior to July 1, 1956, for which
26 creditable compensation was paid; except that for members, officers, and employees
27 of the General Assembly, this date shall be January 1, 1960. An employee shall be

1 credited with one (1) month of prior service only in those months he received
2 compensation for at least one hundred (100) hours of work; provided, however, that
3 each member, officer, and employee of the General Assembly shall be credited with
4 a month of prior service for each month he served in the position prior to January 1,
5 1960. Twelve (12) months of current service in the system are required to validate
6 prior service;

7 (12) "Accumulated contributions" at any time means the sum of all amounts deducted
8 from the compensation of a member and credited to his individual account in the
9 members' ~~contribution~~ account, including employee contributions picked up after
10 August 1, 1982, pursuant to KRS 61.560(4), together with interest credited on such
11 amounts and any other amounts the member shall have contributed thereto,
12 including interest credited thereon. For members who begin participating on or after
13 September 1, 2008, "accumulated contributions" shall not include employee
14 contributions that are deposited into accounts established pursuant to 26 U.S.C. sec.
15 401(h) within the funds established in KRS 16.510, 61.515, and 78.520, as
16 prescribed by KRS 61.702(2)(b);

17 (13) "Creditable compensation" means all salary, wages, tips to the extent the tips are
18 reported for income tax purposes, and fees, including payments for compensatory
19 time, paid to the employee as a result of services performed for the employer or for
20 time during which the member is on paid leave, which are includable on the
21 member's federal form W-2 wage and tax statement under the heading "wages, tips,
22 other compensation," including employee contributions picked up after August 1,
23 1982, pursuant to KRS 61.560(4). For members of the General Assembly, it shall
24 mean all amounts which are includable on the member's federal form W-2 wage and
25 tax statement under the heading "wages, tips, other compensation," including
26 employee contributions picked up after August 1, 1982, pursuant to KRS 6.505(4)
27 or 61.560(4). A lump-sum bonus, severance pay, or employer-provided payment for

purchase of service credit shall be included as creditable compensation but shall be averaged over the employee's total service with the system in which it is recorded if it is equal to or greater than one thousand dollars (\$1,000). In cases where compensation includes maintenance and other perquisites, the board shall fix the value of that part of the compensation not paid in money. Living allowances, expense reimbursements, lump-sum payments for accrued vacation leave, and other items determined by the board shall be excluded. Creditable compensation shall also include amounts which are not includable in the member's gross income by virtue of the member having taken a voluntary salary reduction provided for under applicable provisions of the Internal Revenue Code. Creditable compensation shall also include elective amounts for qualified transportation fringes paid or made available on or after January 1, 2001, for calendar years on or after January 1, 2001, that are not includable in the gross income of the employee by reason of 26 U.S.C. sec. 132(f)(4). For employees who begin participating on or after September 1, 2008, creditable compensation shall not include payments for compensatory time;

(14) "Final compensation" of a member means:

- (a) For a member who begins participating before September 1, 2008, who is not employed in a hazardous position, as provided in KRS 61.592, the creditable compensation of the member during the five (5) fiscal years he was paid at the highest average monthly rate divided by the number of months of service credit during that five (5) year period multiplied by twelve (12). The five (5) years may be fractional and need not be consecutive. If the number of months of service credit during the five (5) year period is less than forty-eight (48), one (1) or more additional fiscal years shall be used;
- (b) For a member who is not employed in a hazardous position, as provided in KRS 61.592, whose effective retirement date is between August 1, 2001, and January 1, 2009, and whose total service credit is at least twenty-seven (27)

years and whose age and years of service total at least seventy-five (75), final compensation means the creditable compensation of the member during the three (3) fiscal years the member was paid at the highest average monthly rate divided by the number of months of service credit during that three (3) years period multiplied by twelve (12). The three (3) years may be fractional and need not be consecutive. If the number of months of service credit during the three (3) year period is less than twenty-four (24), one (1) or more additional fiscal years shall be used. Notwithstanding the provision of KRS 61.565, the funding for this paragraph shall be provided from existing funds of the retirement allowance;

(c) For a member who begins participating before September 1, 2008, who is employed in a hazardous position, as provided in KRS 61.592, the creditable compensation of the member during the three (3) fiscal years he was paid at the highest average monthly rate divided by the number of months of service credit during that three (3) year period multiplied by twelve (12). The three (3) years may be fractional and need not be consecutive. If the number of months of service credit during the three (3) year period is less than twenty-four (24), one (1) or more additional fiscal years shall be used;

(d) For a member who begins participating on or after September 1, 2008, but prior to January 1, 2014, who is not employed in a hazardous position, as provided in KRS 61.592, the creditable compensation of the member during the five (5) complete fiscal years immediately preceding retirement divided by five (5). Each fiscal year used to determine final compensation must contain twelve (12) months of service credit. If the member does not have five (5) complete fiscal years that each contain twelve (12) months of service credit, then one (1) or more additional fiscal years shall be used; or

(e) For a member who begins participating on or after September 1, 2008, but

1 prior to January 1, 2014, who is employed in a hazardous position, as
 2 provided in KRS 61.592, the creditable compensation of the member during
 3 the three (3) complete fiscal years he was paid at the highest average monthly
 4 rate divided by three (3). Each fiscal year used to determine final
 5 compensation must contain twelve (12) months of service credit;

6 (15) "Final rate of pay" means the actual rate upon which earnings of an employee were
 7 calculated during the twelve (12) month period immediately preceding the
 8 member's effective retirement date, including employee contributions picked up
 9 after August 1, 1982, pursuant to KRS 61.560(4). The rate shall be certified to the
 10 system by the employer and the following equivalents shall be used to convert the
 11 rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour
 12 workdays, nineteen hundred fifty (1,950) hours for seven and one-half (7-1/2) hour
 13 workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve (12) months,
 14 one (1) year;

15 (16) "Retirement allowance" means the retirement payments to which a member is
 16 entitled;

17 (17) "Actuarial equivalent" means a benefit of equal value when computed upon the
 18 basis of the actuarial tables that are adopted by the board. In cases of disability
 19 retirement, the options authorized by KRS 61.635 shall be computed by adding ten
 20 (10) years to the age of the member, unless the member has chosen the Social
 21 Security adjustment option as provided for in KRS 61.635(8), in which case the
 22 member's actual age shall be used. For members who began participating in the
 23 system prior to January 1, 2014, no disability retirement option shall be less than
 24 the same option computed under early retirement;

25 (18) "Normal retirement date" means the sixty-fifth birthday of a member, unless
 26 otherwise provided in KRS 61.510 to 61.705;

27 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the

1 following June 30, which shall also be the plan year. The "fiscal year" shall be the
2 limitation year used to determine contribution and benefit limits as established by
3 26 U.S.C. sec. 415;

4 (20) "Officers and employees of the General Assembly" means the occupants of those
5 positions enumerated in KRS 6.150. The term shall also apply to assistants who
6 were employed by the General Assembly for at least one (1) regular legislative
7 session prior to July 13, 2004, who elect to participate in the retirement system, and
8 who serve for at least six (6) regular legislative sessions. Assistants hired after July
9 13, 2004, shall be designated as interim employees;

10 (21) "Regular full-time positions," as used in subsection (5) of this section, shall mean
11 all positions that average one hundred (100) or more hours per month determined by
12 using the number of months actually worked within a calendar or fiscal year,
13 including all positions except:

14 (a) Seasonal positions, which although temporary in duration, are positions which
15 coincide in duration with a particular season or seasons of the year and which
16 may recur regularly from year to year, the period of time shall not exceed nine
17 (9) months;

18 (b) Emergency positions which are positions which do not exceed thirty (30)
19 working days and are nonrenewable;

20 (c) Temporary positions which are positions of employment with a participating
21 department for a period of time not to exceed nine (9) months;

22 (d) Part-time positions which are positions which may be permanent in duration,
23 but which require less than a calendar or fiscal year average of one hundred
24 (100) hours of work per month, determined by using the number of months
25 actually worked within a calendar or fiscal year, in the performance of duty;
26 and

27 (e) Interim positions which are positions established for a one-time or recurring

1 need not to exceed nine (9) months;

2 (22) "Delayed contribution payment" means an amount paid by an employee for
3 purchase of current service. The amount shall be determined using the same formula
4 in KRS 61.5525, and the payment shall not be picked up by the employer. A
5 delayed contribution payment shall be deposited to the member's~~[-contribution]~~
6 account and considered as accumulated contributions of the individual member. In
7 determining payments under this subsection, the formula found in this subsection
8 shall prevail over the one found in KRS 212.434;

9 (23) "Parted employer" means a department, portion of a department, board, or agency,
10 such as Outwood Hospital and School, which previously participated in the system,
11 but due to lease or other contractual arrangement is now operated by a publicly held
12 corporation or other similar organization, and therefore is no longer participating in
13 the system;

14 (24) "Retired member" means any former member receiving a retirement allowance or
15 any former member who has filed the necessary documents for retirement benefits
16 and is no longer contributing to the retirement system;

17 (25) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,
18 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of
19 pay. The rate shall be certified by the employer;

20 (26) "Beneficiary" means the person or persons or estate or trust or trustee designated by
21 the member in accordance with KRS 61.542 or 61.705 to receive any available
22 benefits in the event of the member's death. As used in KRS 61.702, "beneficiary"
23 does not mean an estate, trust, or trustee;

24 (27) "Recipient" means the retired member or the person or persons designated as
25 beneficiary by the member and drawing a retirement allowance as a result of the
26 member's death or a dependent child drawing a retirement allowance. An alternate
27 payee of a qualified domestic relations order shall not be considered a recipient,

1 except for purposes of KRS 61.623;

2 (28) "Level-percentage-of-payroll amortization method" means a method of determining
3 the annual amortization payment on the unfunded actuarial accrued liability as
4 expressed as a percentage of payroll over a set period of years. Under this method,
5 the percentage of payroll shall be projected to remain constant for all years
6 remaining in the set period and the unfunded actuarially accrued liability shall be
7 projected to be fully amortized at the conclusion of the set period;

8 (29) "Increment" means twelve (12) months of service credit which are purchased. The
9 twelve (12) months need not be consecutive. The final increment may be less than
10 twelve (12) months;

11 (30) "Person" means a natural person;

12 (31) "Retirement office" means the Kentucky Retirement Systems office building in
13 Frankfort;

14 (32) "Last day of paid employment" means the last date employer and employee
15 contributions are required to be reported in accordance with KRS 16.543, 61.543, or
16 78.615 to the retirement office in order for the employee to receive current service
17 credit for the month. Last day of paid employment does not mean a date the
18 employee receives payment for accrued leave, whether by lump sum or otherwise, if
19 that date occurs twenty-four (24) or more months after previous contributions;

20 (33) "Objective medical evidence" means reports of examinations or treatments; medical
21 signs which are anatomical, physiological, or psychological abnormalities that can
22 be observed; psychiatric signs which are medically demonstrable phenomena
23 indicating specific abnormalities of behavior, affect, thought, memory, orientation,
24 or contact with reality; or laboratory findings which are anatomical, physiological,
25 or psychological phenomena that can be shown by medically acceptable laboratory
26 diagnostic techniques, including but not limited to chemical tests,
27 electrocardiograms, electroencephalograms, X-rays, and psychological tests;

1 (34) "Participating" means an employee is currently earning service credit in the system
2 as provided in KRS 61.543;

3 (35) "Month" means a calendar month;

4 (36) "Membership date" means:

5 (a) The date upon which the member began participating in the system as
6 provided in KRS 61.543; or

7 (b) For a member electing to participate in the system pursuant to KRS
8 196.167(4) who has not previously participated in the system or the Kentucky
9 Teachers' Retirement System, the date the member began participating in a
10 defined contribution plan that meets the requirements of 26 U.S.C. sec.
11 403(b);

12 (37) "Participant" means a member, as defined by subsection (8) of this section, or a
13 retired member, as defined by subsection (24) of this section;

14 (38) "Qualified domestic relations order" means any judgment, decree, or order,
15 including approval of a property settlement agreement, that:

16 (a) Is issued by a court or administrative agency; and

17 (b) Relates to the provision of child support, alimony payments, or marital
18 property rights to an alternate payee; ~~and~~

19 (39) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
20 participant, who is designated to be paid retirement benefits in a qualified domestic
21 relations order;

22 **(40) "Accumulated employer credit" mean the employer pay credit deposited to the**
23 **member's account and interest credited on such amounts as provided by Sections**
24 **8 and 9 of this Act; and**

25 **(41) "Accumulated account balance" means:**

26 **(a) For members who began participating in the system prior to January 1,**
27 **2014, the member's accumulated contributions; or**

(b) For members who began participating in the system on or after January 1, 2014, in the hybrid cash balance plan as provided by Sections 8 and 9 of this Act, the combined sum of the member's accumulated contributions and the member's accumulated employer credit.

➔Section 46. KRS 61.535 is amended to read as follows:

(1) The membership of any person in the system shall cease:

- (a) Upon withdrawal of his accumulated **account balance**~~[contributions]~~ at or any time after termination of employment, regardless of length of service;
- (b) Upon disability retirement;
- (c) Upon service retirement;
- (d) Upon death;
- (e) For persons hired prior to August 1, 2000, upon termination of employment with prejudice; or
- (f) For persons hired on or after August 1, 2000, upon conviction of a felony relating to the person's employment as provided in subsection (3) of this section.

(2) For purposes of KRS 61.510 to 61.705, 16.505 to 16.652, and 78.510 to 78.852, termination of employment with prejudice shall mean termination as the result of conviction of the member in a court of competent jurisdiction of embezzlement or larceny of public funds or property or malfeasance in office, or the forcing of a member to make restitution for any funds or property criminally taken by said member at the time of termination of employment.

(3) Notwithstanding any provision of law to the contrary, an employee hired on or after August 1, 2000, who participates in one (1) of the retirement systems administered by the Kentucky Retirement Systems and who is convicted, in any state or federal court of competent jurisdiction, of a felony related to his employment shall forfeit rights and benefits earned under the retirement system, except for the return of his

1 accumulated contributions and interest credited on those contributions. The
 2 payment of retirement benefits ordered forfeited shall be stayed pending any appeal
 3 of the conviction. If the conviction is reversed on final judgment, no retirement
 4 benefit shall be forfeited. The employer shall notify the retirement system when an
 5 employee is convicted under the provisions of this subsection.

6 ➔Section 47. KRS 61.543 is amended to read as follows:

7 (1) Employee contributions shall be deducted each payroll period from the creditable
 8 compensation of each employee of an agency participating in the retirement system
 9 while he is classified as regular full-time as defined in KRS 61.510 unless the
 10 employee did not elect to become a member as provided by subsection (2) of KRS
 11 61.525, or unless the employee did not elect membership pursuant to KRS
 12 61.545(3). After August 1, 1982, employee contributions shall be picked up by the
 13 employer pursuant to KRS 61.560(4). Service credit will be allowed for each month
 14 the contributions are deducted or picked up during a fiscal or calendar year, if the
 15 member receives creditable compensation for an average of one hundred (100)
 16 hours or more of work per month. If the average number of hours of work is less
 17 than one hundred (100) per month, the member shall be allowed credit only for
 18 those months he receives creditable compensation for one hundred (100) hours of
 19 work.

20 (2) Employee contributions shall not be deducted from the creditable compensation of
 21 an employee or picked up by the employer while he is seasonal, emergency,
 22 temporary, or part-time. No service credit will be earned.

23 (3) Contributions shall not be made or picked up by the employer and no service credit
 24 will be earned by a member while on leave except:

25 (a) A member on military leave shall be entitled to service credit in accordance
 26 with KRS 61.555;

27 (b) A member on educational leave, approved by the Personnel Cabinet, who is

1 receiving seventy-five percent (75%) or more of full salary, shall receive
2 service credit and shall pay employee contributions, or the contributions shall
3 be picked up in accordance with KRS 61.560 and his employer shall pay
4 employer contributions in accordance with KRS 61.565. If a tuition agreement
5 is broken by the member, the member and employer contributions paid or
6 picked up during the period of educational leave shall be refunded; and

7 (c) An employee on educational leave, approved by the appointing authority, not
8 to exceed one (1) year, or with additional approval of one (1) additional year,
9 and not to exceed two (2) years within a five (5) year period, who is receiving
10 a salary of less than seventy-five percent (75%) of full salary, may elect to
11 retain membership in the system during the period of leave. If the employee
12 elects to retain membership in the system, he shall receive service credit by
13 having employee contributions picked up in accordance with KRS 61.560. His
14 employer shall pay employer contributions in accordance with KRS 61.565. If
15 a tuition agreement is broken by the member, the employee and employer
16 contributions paid or picked up during the period of educational leave shall be
17 refunded to the contributor and no service credit shall be earned for the period
18 of leave.

19 (4) The retirement office, upon detection, shall refund any erroneous employer and
20 employee contributions made to the retirement system and any interest credited in
21 accordance with KRS 61.575.

22 (5) Notwithstanding the provisions of this section and KRS 61.560, employees engaged
23 pursuant to KRS 148.026 and 56.491 in a regular full-time position as defined in
24 KRS 61.510(21) prior to January 1, 1993, shall be allowed service credit for each
25 month the employee received creditable compensation for an average of one
26 hundred (100) or more hours of work, if the employee pays to the retirement system
27 the contributions that would have been deducted for the period of employment. The

1 contributions shall be credited to the member's ~~contribution~~ account and shall not
2 be picked up pursuant to KRS 61.560(4). The employer contributions for the period,
3 plus interest calculated at the actuarial rate, shall be due within thirty (30) days of
4 notice of receipt of payment from the employee.

5 ➔Section 48. KRS 61.545 is amended to read as follows:

6 (1) The board shall determine by appropriate administrative regulations how much
7 service in any year is the equivalent of a year of service credit and how much
8 service in any calendar month is the equivalent of a month of service credit. It shall
9 not allow credit for more than one (1) year of service for all service rendered in any
10 period of twelve (12) consecutive months except as provided in KRS 61.546 and in
11 subsection (2) of this section.

12 (2) (a) Employees participating in one (1) of the state-administered retirement
13 systems who are or have been employed by a school board participating in the
14 County Employees Retirement System, a state-operated school under KRS
15 Chapter 167, a participating community action agency, or a Kentucky
16 institution of higher education which participates in the Kentucky Employees
17 Retirement System, and who receive service credit for less than twelve (12)
18 months each year, may purchase the additional months of service credit
19 needed to total one (1) year of service credit except the amount purchased
20 shall not exceed three (3) months. The employee may purchase the service
21 credit by paying the retirement system a delayed contribution payment.
22 Employees who have service credit prior to July 1, 1992, or their employers,
23 the state-operated school under KRS Chapter 167, the Kentucky institution of
24 higher education, or the school board may purchase service credit on behalf of
25 the employee for previous years by paying the retirement system the delayed
26 contribution payment.

27 (b) The cost of service under this subsection may be paid by both the employer

and employee. The employer shall pay fifty percent (50%) of the cost and the employee shall pay fifty percent (50%) of the cost. The payment by the employer shall not be deposited to the member's account. Service credit shall not be credited to the member's account until both the employer's and employee's payment are received by the retirement system.

- (c) If the employee has purchased service credit under this subsection based on months reported by the employer for the fiscal year, and an audit of the employee's account reduces the number of months of service credit for which the employee is eligible to no fewer than nine (9) months, the employee shall retain credit for the months purchased unless the employee is ineligible for any service in the fiscal year. The employee shall be eligible to purchase the additional months under this subsection to total one (1) year.

(d) This subsection shall not apply to members who begin participating in the systems administered by Kentucky Retirement Systems on or after January 1, 2014.

- (3) (a) An employee who is simultaneously eligible for membership in more than one (1) retirement system administered by the Kentucky Retirement Systems may, at his option, choose to participate in only one (1) of those systems. The choice, once made, shall remain in effect so long as the employee is eligible for membership in more than one (1) system.
- (b) If the employee participates in more than one (1) of the retirement systems administered by the Kentucky Retirement Systems, the employee's service credit shall be divided between each system determined by dividing the employee's creditable compensation in each system by the employee's total creditable compensation in all systems.
- (c) If the employee earns creditable compensation in both a hazardous position, as defined by KRS 61.592, and a nonhazardous position, the employee's service

1 credit shall be divided between the employee's hazardous and nonhazardous
2 positions determined by dividing the employee's creditable compensation in
3 the hazardous and nonhazardous positions by the employee's combined
4 hazardous and nonhazardous creditable compensation.

5 ➔Section 49. KRS 61.546 is amended to read as follows:

- 6 (1) Any member of the Kentucky Employees Retirement System or the State Police
7 Retirement System whose retirement date is July 14, 1984, or thereafter, shall
8 receive credit for unused sick leave accrued while contributing to the retirement
9 system from which the retirement benefit is to be paid in accordance with this
10 section.
- 11 (2) Upon the member's notification of retirement as prescribed in KRS 16.576 or
12 61.590, the employer shall certify the retiring member's unused, accumulated sick
13 leave balance to the system. The member's sick leave balance, expressed in days,
14 shall be divided by the average number of working days per month in the state
15 service and rounded to the nearest number of whole months. The member's sick
16 leave balance, expressed in months, shall be added to his service credit for the
17 purpose of determining his annual retirement allowance under KRS 16.505 to
18 16.652 or 61.510 to 61.705 and for the purpose of determining whether the member
19 is eligible to receive a retirement allowance under KRS 16.505 to 16.652 or 61.510
20 to 61.705, except as provided by subsection (3) of this section. Accumulated sick
21 leave in excess of six (6) months shall be added to the member's service credit, and
22 the last participating Kentucky Employees Retirement Systems employer shall pay
23 to the retirement system the value of the additional service credit based on the
24 formula adopted by the board, except as provided by subsection (3) of this section.
25 All of a state policeman's sick leave balance, expressed in months, except as
26 provided by subsection (3) of this section, shall be added to his service credit for the
27 purposes of determining his annual retirement allowance and whether the member

1 is eligible to receive a retirement allowance under KRS 16.505 to 16.652.

2 (3) For a member who begins participating in the Kentucky Employees Retirement
3 System or the State Police Retirement System on or after September 1, 2008:

4 (a) The member shall receive no more than twelve (12) months of service credit
5 upon retirement for accumulated unused sick leave accrued while contributing
6 to the retirement system or systems from which the retirement benefit is to be
7 paid;

8 (b) The service credited for accumulated unused sick leave and added to the
9 member's service credit shall be used for purposes of determining the
10 member's annual retirement allowance under KRS 16.505 to 16.652 and
11 61.510 to 61.705;

12 (c) The service credited for accumulated unused sick leave and added to the
13 member's service credit shall not be used to determine whether a member is
14 eligible to receive a retirement allowance under any of the provisions of KRS
15 16.505 to 16.652 and 61.510 to 61.705; and

16 (d) Except as provided by subsection (4) of this section, the value of any
17 accumulated unused sick leave in excess of six (6) months that is added to the
18 member's service credit in the Kentucky Employees Retirement System shall
19 be paid to the retirement system by the last participating Kentucky Employees
20 Retirement System employer based upon the formula adopted by the board.

21 (4) Notwithstanding any other provision of this section to the contrary, the value of any
22 accumulated sick leave that is added to the member's service credit in the Kentucky
23 Employees Retirement System or the State Police Retirement System on or after
24 July 1, 2010, shall be paid to the retirement system by the last participating
25 Kentucky Employees Retirement System or State Police Retirement System
26 employer based upon a formula adopted by the board.

27 (5) The provisions of this section shall not apply to a participating agency whose

employees are not employed by the Commonwealth until the agency certifies to the system that a sick leave program has been formally adopted and is universally administered within the agency.

(6) This section shall not apply to members who begin participating in the systems administered by Kentucky Retirement Systems on or after January 1, 2014.

→ Section 50. KRS 61.552 is amended to read as follows:

(1) Any employee participating in one (1) of the state-administered retirement systems who has been refunded his accumulated **account balance**~~[contributions]~~ under the provisions of KRS 16.645(21), 61.625, or 78.545(15), thereby losing service credit, may regain the credit by paying to the system from which he received the refund or refunds the amount or amounts refunded with interest at a rate determined by the board of the respective retirement system. The payment, including interest as determined by the board, shall be deposited to the member's~~[contribution]~~ account and considered as accumulated contributions of the individual member. The payments shall not be picked up, as described in KRS 61.560(4), by the employer.

Service purchased under this subsection on or after January 1, 2014, shall not be used to determine the member's participation date in the system.

(2) Any employee participating in one (1) of the retirement systems administered by Kentucky Retirement Systems, who has at least forty-eight (48) months of service if age sixty-five (65) or at least sixty (60) months of service if under age sixty-five (65) in the systems administered by the Kentucky Retirement Systems, and who did not elect membership in the County Employees Retirement System, as provided in KRS 78.540(2), may obtain credit in the County Employees Retirement System for prior service and for current service by paying to the County Employees Retirement System a delayed contribution payment for the service he would have received had he elected membership. The delayed contribution payment shall not be picked up, as described in KRS 61.560(4), by the employer. Payment may be by lump sum or the

1 employee may pay by increments.

2 (3) Any employee participating in one (1) of the retirement systems administered by
3 Kentucky Retirement Systems, who has at least forty-eight (48) months of service if
4 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
5 (65) in the systems administered by the Kentucky Retirement Systems, and who did
6 not elect membership in the Kentucky Employees Retirement System, as provided
7 in KRS 61.525(2), may obtain credit in the Kentucky Employees Retirement System
8 for prior service and for current service by paying to the system a delayed
9 contribution payment for the service he would have received had he elected
10 membership. The delayed contribution payment shall not be picked up, as described
11 in KRS 61.560(4), by the employer. Payment may be by lump sum or the employee
12 may pay by increments.

13 (4) An employee participating in one (1) of the retirement systems administered by
14 Kentucky Retirement Systems, who has at least forty-eight (48) months of service if
15 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
16 (65) in the systems administered by the Kentucky Retirement Systems, may obtain
17 credit in the Kentucky Employees Retirement System for current service between
18 July 1, 1956, and the effective date of participation of his department by paying to
19 the system a delayed contribution payment for the service he would have received
20 had his department participated on July 1, 1956. The delayed contribution payment
21 shall not be picked up, as described in KRS 61.560(4), by the employer. Payment
22 may be by lump sum or the employee may pay by increments.

23 (5) (a) An employee participating in one (1) of the retirement systems administered
24 by Kentucky Retirement Systems, who has at least forty-eight (48) months of
25 service if age sixty-five (65) or at least sixty (60) months of service if under
26 age sixty-five (65) in the systems administered by the Kentucky Retirement
27 Systems, may obtain credit in the County Employees Retirement System for

1 current service between July 1, 1958, and the effective date of participation of
2 his county by paying to the County Employees Retirement System a delayed
3 contribution payment for the service he would have received had his county
4 participated on July 1, 1958. The delayed contribution payment shall not be
5 picked up, as described in KRS 61.560(4), by the employer.

6 (b) An employee participating in one (1) of the retirement systems administered
7 by Kentucky Retirement Systems, who has at least forty-eight (48) months of
8 service if age sixty-five (65) or at least sixty (60) months of service if under
9 age sixty-five (65) in the systems administered by Kentucky Retirement
10 Systems may obtain credit for the period of his service with an area
11 development district created pursuant to KRS 147A.050 or with a business
12 development corporation created pursuant to KRS 155.001 to 155.230 if that
13 service was not covered by a state-administered retirement system. The
14 member shall pay to the retirement system in which he participates a delayed
15 contribution payment, as determined by the board's actuary. The employee
16 may obtain credit for employment with a business development corporation
17 only if the Kentucky Retirement Systems receives a favorable private letter
18 ruling from the United States Internal Revenue Service or a favorable opinion
19 letter from the United States Department of Labor. Payment may be by lump
20 sum or the employee may pay by increments.

21 (6) After August 1, 2000, service credit obtained under the subsections of this section
22 which do not require the employee to have a minimum number of years of service
23 credit to be eligible to make a purchase shall be disallowed and the recontribution of
24 refund, including interest as determined by the board or other payment, if any, shall
25 be paid to the member if the member does not obtain for service performed six (6)
26 months' additional current service credit in one (1) of the state-administered
27 retirement systems. The service requirement shall be waived if the member dies or

1 becomes disabled as provided for by KRS 16.582 or 61.600.

2 (7) The members shall not receive benefit of service for the same period of time in
3 another public defined benefit retirement fund.

4 (8) Any employee participating in one (1) of the retirement systems administered by
5 Kentucky Retirement Systems who has at least forty-eight (48) months' service if
6 age sixty-five (65) or at least sixty (60) months' service if under age sixty-five (65)
7 in the retirement systems administered by the Kentucky Retirement Systems, who
8 formerly worked for a state university in a position which would have qualified as a
9 regular full-time position had the university been a participating department, and
10 who did not participate in a defined benefit retirement program at the university
11 may obtain credit in the employee's account in the County Employees Retirement
12 System, the Kentucky Employees Retirement System, or the State Police
13 Retirement System for prior and current service by paying either retirement system
14 a delayed contribution payment for the service he would have received had his
15 period of university employment been covered by the County Employees, Kentucky
16 Employees Retirement System, or State Police Retirement System. The delayed
17 contribution payment shall not be picked up, as described in KRS 61.560(4), by the
18 employer. Payment may be by lump sum, or the employee may pay by increments.

19 (9) (a) Effective August 1, 1980, any county participating in the County Employees
20 Retirement System may purchase current service, between July 1, 1958, and
21 participation date of the county, for present employees of the county who have
22 obtained coverage under KRS 78.540(2);

23 (b) Effective July 1, 1973, any department participating in the Kentucky
24 Employees Retirement System may purchase current service between July 1,
25 1956, and participation date of the department, for present employees of the
26 department who were employees on the participation date of the department
27 and elected coverage under KRS 61.525(2);

- 1 (c) Cost of the service credit purchased under this subsection shall be determined
 2 by computing the discounted value of the additional service credit based on an
 3 actuarial formula recommended by the board's consulting actuary and
 4 approved by the board. A department shall make payment for the service
 5 credit within the same fiscal year in which the option is elected. The county
 6 shall establish a payment schedule subject to approval by the board for
 7 payment of the service credit. The maximum period allowed in a payment
 8 schedule shall be ten (10) years with interest at the rate actuarially assumed by
 9 the board; however, a shorter period is desirable and the board may approve
 10 any schedule provided it is not longer than a ten (10) year period;
- 11 (d) If a county or department elects the provisions of this subsection, any present
 12 employee who would be eligible to receive service credit under the provisions
 13 of this subsection and has purchased service credit under subsection (4) or (5)
 14 of this section shall have his payment for the service credit refunded with
 15 interest at the rate paid under KRS 61.575 or 78.640;
- 16 (e) Any payments made by a county or department under this subsection shall be
 17 deposited to the retirement allowance account of the proper retirement system
 18 and these funds shall not be considered accumulated contributions of the
 19 individual members.
- 20 (10) Interest paid by a member of the Kentucky Employees Retirement System, County
 21 Employees Retirement System, or State Police Retirement System under this
 22 section or other similar statutes under KRS 16.505 to 16.652, 61.510 to 61.705, or
 23 78.510 to 78.852 prior to June 19, 1976, shall be credited to the individual
 24 member's~~[-contribution]~~ account in the appropriate retirement system and
 25 considered as accumulated contributions of the member.
- 26 (11) Employees who served as assistants to officers and employees of the General
 27 Assembly who have at least forty-eight (48) months of service if age sixty-five (65)

1 or at least sixty (60) months of service if under age sixty-five (65) in the systems
2 administered by Kentucky Retirement Systems and who were unable to acquire
3 service under KRS 61.510(20) may purchase credit for the service performed after
4 January 1, 1960. Service credit under this section shall be obtained by the payment
5 of a delayed contribution which shall not be picked up by the employer as described
6 in KRS 61.560(4).

7 (12) (a) Effective August 1, 1988, any employee participating in one (1) of the
8 retirement systems administered by Kentucky Retirement Systems who has at
9 least forty-eight (48) months of service if age sixty-five (65) or at least sixty
10 (60) months of service if under age sixty-five (65) in the systems administered
11 by Kentucky Retirement Systems may purchase service credit for interim,
12 seasonal, emergency, or temporary employment or part-time employment
13 averaging one hundred (100) or more hours of work per month on a calendar
14 or fiscal year basis. If the average number of hours of work is less than one
15 hundred (100) per month, the member shall be allowed credit only for those
16 months he receives creditable compensation for one hundred hours of work.
17 The cost will be determined as a delayed contribution payment for the period
18 of time involved, which shall not be picked up by the employer as described in
19 KRS 61.560(4).

20 (b) Any noncertified employee of a school board who has at least forty-eight (48)
21 months of service if age sixty-five (65) or at least sixty (60) months of service
22 if under age sixty-five (65) in the systems administered by Kentucky
23 Retirement Systems may purchase service credit for part-time employment
24 prior to the 1990-91 school year which averaged eighty (80) or more hours of
25 work per month on a calendar or fiscal year basis by paying to the County
26 Employees Retirement System a delayed contribution payment. The delayed
27 contribution payment shall not be picked up, as described in KRS 78.610(4),

1 by the employer. Payment may be by lump sum or the employee may pay by
2 increments. If the average number of hours of work is less than eighty (80) per
3 month, the noncertified employee of a school board shall be allowed credit
4 only for those months he receives creditable compensation for eighty (80)
5 hours of work. The cost will be determined as a delayed contribution payment,
6 which shall not be picked up by the employer as described in KRS 78.610(4).

7 (13) A retired member, who is contributing to one (1) of the state-administered
8 retirement programs under the provisions of KRS 61.637(1) to (4) and purchases
9 service credit under this section in the system or systems from which he is retired,
10 shall have his retirement allowance recomputed:

11 (a) Upon termination from employment, if the member is contributing to the same
12 system or systems from which he was retired; or

13 (b) Upon completion of six (6) months' service credit as required under
14 subsection (6) of this section, if the member is contributing to a system other
15 than the system or systems from which he is retired.

16 (14) Any employee participating in one (1) of the systems administered by Kentucky
17 Retirement Systems who has at least forty-eight (48) months of service if age sixty-
18 five (65) or at least sixty (60) months of service if under age sixty-five (65) in the
19 systems administered by Kentucky Retirement Systems may obtain credit for prior
20 or current service for any period of approved educational leave, or for agency-
21 approved leave to work for a work-related labor organization if the agency
22 subsequently participated in the County Employees Retirement System, by paying
23 to the respective retirement system a delayed contribution payment. The employee
24 may also obtain credit for agency-approved leave to work for a work-related labor
25 organization if the agency subsequently participated in the County Employees
26 Retirement System, but only if the Kentucky Retirement Systems receives a
27 favorable private letter ruling from the United States Internal Revenue Service or a

1 favorable opinion letter from the United States Department of Labor. The delayed
2 contribution payment shall not be picked up, as described in KRS 61.560(4), by the
3 employer, and shall be deposited to the individual member's account.

4 (15) Any employee participating in one (1) of the retirement systems administered by
5 Kentucky Retirement Systems who has at least forty-eight (48) months of service if
6 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
7 (65) in the systems administered by Kentucky Retirement Systems may obtain
8 credit for prior or current service for any period of authorized maternity leave,
9 unpaid leave authorized under the Federal Family and Medical Leave Act, or for
10 any period of authorized sick leave without pay, by paying to the respective
11 retirement system a delayed contribution payment. The delayed contribution
12 payment shall not be picked up, as described in KRS 61.560(4), by the employer,
13 and shall be deposited to the individual member's account.

14 (16) Any employee participating in one (1) of the retirement systems administered by
15 Kentucky Retirement Systems may purchase service credit under any of the
16 provisions of KRS 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852 by
17 making installment payments in lieu of a lump-sum payment.

18 (a) The cost of the service shall be computed in the same manner as for a lump-
19 sum payment which shall be the principal; and interest, at the actuarial rate in
20 effect at the time the member elects to make the purchase compounded
21 annually, shall be added for the period that the installments are to be made.
22 Multiple service purchases may be combined under a single installment
23 purchase; however, no employee may make more than one (1) installment
24 purchase at the same time. The employee may elect to stop the installment
25 payments by notifying the retirement system; may have the installment
26 purchase recalculated to add one (1) or more additional service purchases; or
27 may pay by lump sum the remaining principal or a portion of the remaining

1 principal.

2 (b) One (1) year of installment payments shall be made for each one thousand
3 dollars (\$1,000) or any part thereof of the total cost, except that the total
4 period allowed for installments shall not be less than one (1) year and shall not
5 exceed five (5) years.

6 (c) The employee shall pay the installments by payroll deduction. Upon
7 notification by the retirement system, the employer shall report the installment
8 payments either monthly or semimonthly continuously over each twelve (12)
9 month period at the same time as, but separate from, regular employee
10 contributions on the forms or by the computer format specified by the board.
11 The payments made under this subsection shall be considered accumulated
12 contributions of the member and shall not be picked up by the employer
13 pursuant to KRS 61.560(4) and no employer contributions shall be paid on the
14 installments.

15 (d) The retirement system shall determine how much of the total cost represents
16 payment for one (1) month of the service to be purchased and shall credit one
17 (1) month of service to the member's account each time this amount has been
18 paid. The first service credited shall represent the first calendar month of the
19 service to be purchased and each succeeding month of service credit shall
20 represent the succeeding months of that service.

21 (e) If the employee elects to stop the installment payments, dies, retires, or does
22 not continue employment in a position required to participate in the retirement
23 system, the member, or in the case of death, the beneficiary, shall have sixty
24 (60) days to pay the remaining principal or a portion of the remaining
25 principal of the purchase by lump sum, except that payment by the member
26 shall be made prior to the effective retirement date. If the member or
27 beneficiary does not pay the remaining cost, the retirement system shall refund

1 to the member or the beneficiary the payment, payments, or portion of a
2 payment that does not represent a full month of service purchased.

3 (f) If the employer does not report installment payments on an employee for sixty
4 (60) days, except in the case of employees on military leave or sick leave
5 without pay, the installment purchase shall cease and the retirement system
6 shall refund to the employee the payment, payments, or portion of a payment
7 that does not represent a full month of service purchased. Installment
8 payments of employees on military leave or sick leave without pay shall be
9 suspended during the period of leave and shall resume without recalculation
10 upon the employee's return from leave.

11 (g) If payments have ceased under paragraph (e) or (f) of this subsection and the
12 member later becomes a participating employee in one (1) of the three (3)
13 systems administered by Kentucky Retirement Systems, the employee may
14 complete the adjusted original installment purchase by lump sum or
15 installment payments. If the employee elects to renew the installment
16 purchase, the cost of the remaining service shall be recalculated in accordance
17 with paragraph (a) of this subsection.

18 (17) Any employee participating in one (1) of the retirement systems administered by
19 Kentucky Retirement Systems may purchase service credit under any of the
20 provisions of KRS 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852 by
21 transferring funds through a direct trustee-to-trustee transfer as permitted under the
22 applicable sections of the Internal Revenue Code and any regulations or rulings
23 issued thereunder, or through a direct rollover as contemplated by and permitted
24 under 26 U.S.C. sec. 401(a)(31) and any regulations or rulings issued thereunder.
25 Service credit may also be purchased by a rollover of funds pursuant to and
26 permitted under the rules specified in 26 U.S.C. sec. 402(c) and 26 U.S.C. sec.
27 408(d)(3). The Kentucky Retirement Systems shall accept the transfer or rollover to

1 the extent permitted under the rules specified in the applicable provisions of the
2 Internal Revenue Code and any regulations and rulings issued thereunder. The
3 amount shall be credited to the individual member's ~~contribution~~ account in the
4 appropriate retirement system and shall be considered accumulated contributions of
5 the member.

6 (18) After August 1, 1998, any employee participating in one (1) of the retirement
7 systems administered by Kentucky Retirement Systems who is age sixty-five (65) or
8 older and has forty-eight (48) months of service credit or, if younger, who has sixty
9 (60) months of service credit in systems administered by Kentucky Retirement
10 Systems may purchase credit in the system in which the employee has the service
11 credit for up to ten (10) years service in a regular full-time position that was
12 credited to a state or local government-administered public defined benefit plan in
13 another state other than a defined benefit plan for teachers. The employee shall pay
14 a delayed contribution payment. Payment may be by lump sum, or the employee
15 may pay by increments. The employee may transfer funds directly from the other
16 state's plan if eligible to the extent permitted under subsection (17) of this section
17 and to the extent permitted by the other state's laws and shall provide proof that he
18 is not eligible for a retirement benefit for the period of service from the other state's
19 plan.

20 (19) After August 1, 1998, any employee participating in one (1) of the retirement
21 systems administered by Kentucky Retirement Systems, who has sixty (60) or more
22 months of service in the State Police Retirement System or in a hazardous position
23 in the Kentucky Employees Retirement System or the County Employees
24 Retirement System, may purchase credit in the system in which the employee has
25 the sixty (60) months of service credit for up to ten (10) years of service in a regular
26 full-time position that was credited to a defined benefit retirement plan administered
27 by a state or local government in another state, if the service could be certified as

1 hazardous pursuant to KRS 61.592. The employee shall pay a delayed contribution
2 payment. Payment may be by lump sum or by increments. The employee may
3 transfer funds directly from the other unit of government's plan if eligible to the
4 extent permitted under subsection (17) of this section and to the extent permitted by
5 the other state's laws, and the employee shall provide proof that he is not eligible for
6 a retirement benefit for the period of service from the other unit of government's
7 plan.

8 (20) Any employee participating in one (1) of the retirement systems administered by
9 Kentucky Retirement Systems who has at least forty-eight (48) months of service if
10 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
11 (65) in the systems administered by Kentucky Retirement Systems and who has
12 completed service as a volunteer in the Kentucky Peace Corps, created by KRS
13 154.01-720, may purchase service credit for the time served in the corps by making
14 delayed contribution payments.

15 (21) An employee participating in any retirement system administered by Kentucky
16 Retirement Systems who has at least forty-eight (48) months of service if age sixty-
17 five (65), or at least sixty (60) months of service if under age sixty-five (65) in the
18 systems administered by Kentucky Retirement Systems, and who was formerly
19 employed in a regional community services program for mental health and
20 individuals with an intellectual disability, organized and operated under the
21 provisions of KRS 210.370 to 210.480, which does not participate in a state-
22 administered retirement system may obtain credit for the period of his service in the
23 regional community program for mental health and individuals with an intellectual
24 disability, by paying to the state retirement system in which he participates a
25 delayed contribution payment. Payment to one (1) of the retirement systems
26 administered by the Kentucky Retirement Systems may be made by lump sum or in
27 increments.

1 (22) An employee participating in one (1) of the retirement systems administered by
2 Kentucky Retirement Systems who has at least forty-eight (48) months of service if
3 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
4 (65) in the systems administered by the Kentucky Retirement Systems, who was
5 employed by a vocational technical school in a noncertified part-time position
6 averaging eighty (80) or more hours per month, determined by using the number of
7 months actually worked within a calendar or fiscal year, may purchase service credit
8 in the Kentucky Employees Retirement System. The cost of the service shall be a
9 delayed contribution payment, which shall not be picked up by the employer as
10 described in KRS 61.560(4).

11 (23) (a) Any person who is entitled to service credit for employment which was not
12 reported in accordance with KRS 16.543, 61.543, or 78.615 may obtain credit
13 for the service by paying the employee contributions due within six (6)
14 months of notification by the system. No interest shall be added to the
15 contributions. The service credit shall not be credited to the member's account
16 until the employer contributions are received. If a retired member makes the
17 payment within six (6) months, the retired member's retirement allowance
18 shall be adjusted to reflect the added service after the employer contributions
19 are received by the retirement system.

20 (b) Any employee participating in one (1) of the state-administered retirement
21 systems who is entitled to service credit under paragraph (a) of this subsection
22 and who has not repaid the employee contributions due within six (6) months
23 of notification by the system may regain the credit after the six (6) months by
24 paying to the system the employee contributions plus interest at the actuarially
25 assumed rate from the date of initial notification under paragraph (a) of this
26 subsection. Service credit shall not be credited to the member's account until
27 the employer contributions are received by the retirement system. The

1 payments shall not be picked up, as described in KRS 61.560(4), by the
2 employer.

- 3 (c) Service purchased under this subsection by employees who begin participating
4 on or after September 1, 2008, shall be considered service credited under KRS
5 16.543(1), 61.543(1), or 78.615(1) for purposes of determining eligibility for
6 retirement benefits under KRS 16.505 to 16.652, 61.510 to 61.705, and
7 78.510 to 78.852.

8 (d) Employees who begin participating on or after January 1, 2014, in the
9 hybrid cash balance plan provided by Sections 8 and 9 of this Act shall,
10 upon payment of the employee and employer contributions due under this
11 subsection, have their accumulated account balance increased by the
12 employee contributions, employer pay credits, and interest credits that
13 would have been credited to their member's account if the contributions had
14 been paid on time.

- 15 (24) Any employee participating in one (1) of the retirement systems administered by
16 Kentucky Retirement Systems who has at least forty-eight (48) months of service if
17 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
18 (65) in the systems administered by the Kentucky Retirement Systems may
19 purchase service credit for employment with a public agency that would have been
20 eligible to participate under KRS 61.520 but which did not participate in the
21 Kentucky Employees Retirement System or a political subdivision that would have
22 been eligible to participate under KRS 78.530 but which did not participate in the
23 County Employees Retirement System if the former public agency or political
24 subdivision has merged with or been taken over by a participating department or
25 county. The cost of the service shall be determined as a delayed contribution
26 payment for the respective retirement system. Payment may be made by lump sum
27 or in increments. The payment shall not be picked up, as described in KRS

1 61.560(4) or 78.610(4), by the employer.

2 (25) Any employee participating in one (1) of the retirement systems administered by the
3 Kentucky Retirement Systems prior to July 15, 2002, who has accrued at least forty-
4 eight (48) months of service if age sixty-five (65) or at least sixty (60) months of
5 service if under age sixty-five (65) in the systems administered by the Kentucky
6 Retirement Systems and who has total service in all state-administered retirement
7 systems of at least one hundred eighty (180) months of service credit may purchase
8 a combined maximum total of five (5) years of retirement service credit which is
9 not otherwise purchasable under any of the provisions of KRS 16.505 to 16.652,
10 61.510 to 61.705, and 78.510 to 78.852. The purchase price for the retirement
11 service credit shall be calculated and paid for as a delayed contribution payment.
12 The payment shall not be picked up, as described in KRS 16.545(4), 61.560(4), or
13 78.610(4), by the employer, and the employee's payment shall be paid into the
14 individual member's~~[-contribution]~~ account in the appropriate retirement system and
15 shall be considered accumulated contributions of the member. Payment by the
16 member may be by lump sum or by increments. The service purchased under this
17 subsection shall not be used in determining a retirement allowance until the member
18 has accrued at least two hundred forty (240) months of service, excluding service
19 purchased under this subsection. If the member does not accrue at least two hundred
20 forty (240) months of service, excluding service purchased under this subsection,
21 upon retirement, death, or written request following termination, the payment, plus
22 interest as provided in KRS 61.575, shall be refunded.

23 (26) An employee participating in one (1) of the retirement systems administered by
24 Kentucky Retirement Systems, who has at least forty-eight (48) months of service if
25 age sixty-five (65), or at least sixty (60) months of service if under age sixty-five
26 (65), in the systems administered by Kentucky Retirement Systems, may obtain
27 credit in the County Employees Retirement System for the period of that employee's

1 service with a community action agency created under KRS 273.405 to 273.453 if
 2 that service was not covered by a state-administered retirement system. The member
 3 shall pay to the retirement system a delayed contribution payment. Payment may be
 4 made by lump sum or in increments. The payment shall not be picked up, as
 5 described in KRS 61.560(4) or 78.610(4), by the employer.

6 (27) The board of trustees is authorized to establish a program, subject to a favorable
 7 ruling from the Internal Revenue Service, to provide for the purchase of service
 8 credit under any of the provisions of KRS 16.505 to 16.552, 61.510 to 61.705, and
 9 78.510 to 78.852, pursuant to the employer pick-up provisions in 26 U.S.C. sec.
 10 414(h)(2).

11 (28) An employee may obtain credit for regular full-time service with an agency prior to
 12 August 1, 1998, for which the employee did not receive credit due to KRS
 13 61.637(1), by paying a delayed contribution. The payment shall not be picked up by
 14 the employer, except as provided in subsection (27) of this section, and shall be
 15 credited to the employee's second retirement account. Service credit obtained under
 16 this subsection shall not be used in determining benefits under KRS 61.702. The
 17 employee may purchase credit for service prior to August 1, 1998, if:

18 (a) The employee retired from one (1) of the retirement systems administered by
 19 the Kentucky Retirement Systems and was reemployed prior to August 1,
 20 1998, earning less than the maximum permissible earnings under the Federal
 21 Social Security Act;

22 (b) The employee elected to participate in a second retirement account effective
 23 August 1, 1998, in accordance with KRS 61.637(7); and

24 (c) The employee has at least forty-eight (48) months of service if age sixty-five
 25 (65), or at least sixty (60) months of service if under age sixty-five (65), in a
 26 second account in the systems administered by Kentucky Retirement Systems.

27 (29) An employee participating in one (1) of the retirement systems administered by the

1 Kentucky Retirement Systems, who has at least forty-eight (48) months of service if
 2 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
 3 (65) in the systems administered by the Kentucky Retirement Systems, may obtain
 4 credit for the service in a regular full-time position otherwise creditable under the
 5 Kentucky Employees Retirement System, the County Employees Retirement
 6 System, or the State Police Retirement System for service in the United States
 7 government, other than service in the Armed Forces, for which service is not
 8 otherwise given, by paying to the system a delayed contribution payment. Payment
 9 may be made by lump sum or in increments. No payment made pursuant to this
 10 section shall be picked up by the employer, as described in KRS 61.560(4).

11 (30) An employee participating in a hazardous position in one (1) of the retirement
 12 systems administered by the Kentucky Retirement Systems, who has at least forty-
 13 eight (48) months of service if age sixty-five (65) or at least sixty (60) months of
 14 service if under age sixty-five (65) in the systems administered by the Kentucky
 15 Retirement Systems, may obtain credit for service in a regular full-time position in
 16 an urban-county government that would qualify for hazardous duty coverage under
 17 KRS 61.592 by paying to the system a delayed contribution payment. Payment may
 18 be made by lump sum or in increments. No payment made pursuant to this section
 19 shall be picked up by the employer, as described in KRS 61.560(4).

20 **(31) Subsections (2) to (5), (8) to (15), (18) to (22), (24) to (26), and (28) to (30) of this**
 21 **section shall not apply to members who begin participating in the systems**
 22 **administered by Kentucky Retirement Systems on or after January 1, 2014.**

23 ➔Section 51. KRS 61.555 is amended to read as follows:

24 (1) After August 1, 1998, any employee entering the Armed Forces of the United States
 25 after he first participates in the system, who joins the Armed Forces within three (3)
 26 months of the last day of paid employment, being on leave of absence from service
 27 and not withdrawing his accumulated **account balance**~~{contributions}~~, shall be

1 credited for retirement purposes with service credit and creditable compensation as
 2 provided in 38 U.S.C. sec. 4318 for his period of active military duty in the Armed
 3 Forces of the United States, not to exceed six (6) years, if his discharge therefrom is
 4 honorable and he returns to work with an employer participating in one (1) of the
 5 retirement systems administered by the Kentucky Retirement Systems within two
 6 (2) years after completion of the period of active military duty, or upon the
 7 subsequent termination of any total disability which existed at the expiration of the
 8 two (2) years after discharge. *A member eligible for the benefit prescribed by this*
 9 *subsection who participates in the hybrid cash balance plan as provided by*
 10 *Sections 8 and 9 of this Act shall also have his or her member account credited*
 11 *with employee contributions, employer pay credits, and interest credits, as*
 12 *provided by Sections 8 and 9 of this Act, as though the member were employed*
 13 *during the member's period of active military duty described by this subsection.*

- 14 (2) After August 1, 1998, any employee who, prior to the date he first participated in
 15 the system, terminated his employment with an agency participating in one (1) of
 16 the systems administered by the Kentucky Retirement Systems and within three (3)
 17 months entered the Armed Forces of the United States and who returns to work with
 18 an employer participating in one (1) of the retirement systems administered by the
 19 Kentucky Retirement Systems within two (2) years after completion of the period of
 20 active military duty, or upon the subsequent termination of any total disability
 21 which existed at the expiration of the two (2) years after discharge, shall be credited
 22 for retirement purposes with service credit and creditable compensation as provided
 23 in 38 U.S.C. sec. 4318 for his period of active military duty in the Armed Forces,
 24 not to exceed six (6) years. *A member eligible for the benefit prescribed by this*
 25 *subsection who participates in the hybrid cash balance plan as provided by*
 26 *Sections 8 and 9 of this Act shall also have his or her member account credited*
 27 *with employee contributions, employer pay credits, and interest credits, as*

provided by Sections 8 and 9 of this Act, as though the member were employed during the member's period of active military duty described by this subsection.

(3) Any National Guard technician involuntarily serving on active military duty during the period between January 26, 1968, and January 1, 1970, who completes his eight (8) years' service while on military duty during this period, shall have that portion of his active military duty, necessary to the completion of eight (8) years' current service, credited to his account, as current service without having to meet the reemployment criteria.

(4) Any employee eligible for retirement as prescribed in KRS 61.559 or any employee upon completion of five (5) years of service shall receive current service credit for a maximum of four (4) years for his period of active military duty in the Armed Forces of the United States, if his discharge therefrom is honorable and he has not been credited with the service under subsections (1) to (3) of this section if he pays thirty-five percent (35%) of the cost of the service based on the formula adopted by the board. The payment by the member shall not be picked up by the employer, as described in KRS 61.560(4), and shall be deposited to his individual member's account. The remaining sixty-five percent (65%) shall be paid by the state from funds appropriated specifically for the purpose and these payments shall be deposited to the respective retirement allowance accounts. If no funds are available in the special appropriation account, the system shall not accept employee payments until funds are available in the account.

(5) Any employee participating in one (1) of the retirement systems administered by Kentucky Retirement Systems eligible to purchase military service credit under subsection (4) of this section shall receive current service credit for active military duty as provided under subsection (4) of this section without payment of the current employee contribution ratio if the member was taken prisoner by a hostile power at any time during active military service.

1 (6) Any employee participating in one (1) of the retirement systems administered by
2 Kentucky Retirement Systems age sixty-five (65) or older who has forty-eight (48)
3 months of service, at least twelve (12) of which are current service, or if younger
4 who has sixty (60) months of service, at least twelve (12) of which are current
5 service shall receive current service for his period of active military duty in the
6 Armed Forces of the United States, if his discharge therefrom is not dishonorable
7 and he has not been credited with the service under subsections (1) to (4) of this
8 section, by paying the retirement system a delayed contribution payment. Payment
9 may be made by lump sum or in increments. The payment shall not be picked up by
10 the employer as described in KRS 16.545(4), 61.560(4), or 78.610(4) and shall be
11 deposited in the member's individual retirement account.

12 (7) Any employee participating in one (1) of the retirement systems administered by the
13 Kentucky Retirement Systems age sixty-five (65) or older who has forty-eight (48)
14 months of service, at least twelve (12) of which are current service, or if younger
15 who has sixty (60) months of service, at least twelve (12) of which are current
16 service, shall receive one (1) month of current service for each six (6) months of
17 service in the National Guard or the military reserves of the United States, by
18 paying the retirement system a delayed contribution payment. The service shall be
19 treated as service earned prior to participation in the system and shall not be
20 included in the member's final compensation. Payment may be made by lump sum
21 or in increments. The payment shall not be picked up by the employer, as described
22 in KRS 16.545(4), 61.560(4), or 78.610(4) and shall be deposited in the member's
23 individual retirement account.

24 **(8) For members who begin participating in the systems administered by Kentucky**
25 **Retirement Systems on or after January 1, 2014, in the hybrid cash balance plan**
26 **prescribed by Sections 8 and 9 of this Act, the provisions of subsections (4) to (7)**
27 **of this section shall not apply.**

➔Section 52. KRS 61.559 is amended to read as follows:

(1) In lieu of any other benefits due under KRS 61.510 to 61.705 and 78.510 to 78.852, a member who begins participating before September 1, 2008, who has attained the age of sixty-five (65) and who has obtained at least one (1) month of service credit but no more than forty-seven (47) months of service may elect to receive an annual retirement allowance payable monthly or less frequently, as determined by the board, which shall be determined by multiplying his accumulated contributions by two (2) and converting this amount to an annual retirement allowance based on an annuity rate adopted by the board which would pay the actuarial equivalent of twice his accumulated contributions over the lifetime of the retired member.

(2) A member who begins participating before September 1, 2008, who is sixty-five (65) years of age or older is eligible for a retirement allowance determined under KRS 61.595 provided such member has forty-eight (48) months of service, at least twelve (12) of which are current service, or a retirement allowance determined under KRS 61.595 prior to age sixty-five (65) provided:

- (a) The member has attained age fifty-five (55) and has service of sixty (60) months at least twelve (12) of which are current service; or
- (b) The member is a retired member of the State Police Retirement System, has attained age fifty-five (55), and has service of forty-eight (48) months at least twelve (12) of which are current service; or
- (c) The member is less than age fifty-five (55) and has twenty-five (25) or more years of service, at least fifteen (15) of which are current service; or
- (d) The member has thirty (30) or more years of service at least fifteen (15) of which are current service, or the member of the Kentucky Employees Retirement System or the County Employees Retirement System has twenty-seven (27) or more years of service, at least fifteen (15) of which are current service; or

1 (e) The member of the Kentucky Employees Retirement System has, at least,
 2 twenty-six (26) years of service credit, at least sixteen (16) of which are
 3 current consecutive years of service as a cabinet secretary or administrative
 4 head of one (1) of the three (3) branches of government; or

5 (f) The member has attained age fifty-five (55) and was an employee of a parted
 6 employer at the time his employer became ineligible to continue participation
 7 in the system, and his service in the system when added to his service with the
 8 parted employer subsequent to his separation from state government equals
 9 the early retirement service eligibility requirement of the system on the date
 10 his employer became ineligible to continue participation in the system.

11 (3) A member who begins participating on or after September 1, 2008, **but prior to**
 12 **January 1, 2014,** is eligible for a retirement allowance determined under KRS
 13 61.595 if:

14 (a) The member is sixty-five (65) years of age or older and has at least five (5)
 15 years of service credited under KRS 16.543(1), 61.543(1), or 78.615(1) or
 16 another state-administered retirement system;

17 (b) The member is fifty-seven (57) years of age or older and has an age and years
 18 of service total of at least eighty-seven (87) years. The years of service used to
 19 determine eligibility for a retirement allowance under this paragraph shall only
 20 include years of service credited under KRS 16.543(1), 61.543(1), or
 21 78.615(1) or another state-administered retirement system; or

22 (c) The member is sixty (60) years of age or older and has at least ten (10) years
 23 of service credited under KRS 16.543(1), 61.543(1), or 78.615(1) or another
 24 state-administered retirement system.

25 **(4) Subsections (1) to (3) of this section shall not apply to members who begin**
 26 **participating in the system on or after January 1, 2014. Members who begin**
 27 **participating in the system on or after January 1, 2014, shall receive the**

retirement benefits prescribed by Section 9 of this Act.

➔Section 53. KRS 61.565 is amended to read as follows:

(1) **(a)** Each employer participating in the State Police Retirement System as provided for in KRS 16.505 to 16.652, each employer participating in the County Employees Retirement System as provided for in KRS 78.510 to 78.852, and each employer participating in the Kentucky Employees Retirement System as provided for in KRS 61.510 to 61.705 shall contribute annually to the respective retirement system an amount equal to the percent, as computed under subsection (2) of this section, of the creditable compensation of its employees to be known as the "normal contributions," and an additional amount to be known as the "actuarially accrued liability contribution" which shall be computed by amortizing the total unfunded actuarially accrued liability over a period of thirty (30) years using the level-percentage-of-payroll amortization method. This method shall be used beginning with the 2007 actuarial valuation. The initial thirty (30) year amortization period shall begin with the 2007 **actuarial** valuation, **except as provided by paragraph (b) of this subsection.**

(b) Effective with the 2013 actuarial valuation, the amortization period for the Kentucky Employees Retirement System, the County Employees Retirement System, and the State Police Retirement System shall be reset to a new thirty (30) year period for purposes of calculating the actuarially accrued liability contribution prescribed by this subsection.

(c) Any significant increase in the actuarially accrued liability due to benefit improvements after the 2007 valuation shall be amortized using the level-percentage-of-payroll amortization method over a separate thirty

1 (30) year period commencing in the year of the actuarial valuation in
2 which the benefit improvements are first reflected.

3 (2) The normal contribution rate shall be determined by the entry age normal cost
4 funding method. The actuarially accrued liability shall be determined by actuarial
5 method consistent with the methods prescribed for determining the normal
6 contribution rate. Normal contributions and the actuarially accrued liability
7 contribution shall be determined on actuarial bases adopted by the board.

8 (3) (a) Normal contribution and the actuarially accrued liability contribution rates
9 shall be determined by the board on the basis of the annual actuarial valuation
10 last preceding the July 1 of a new biennium.

11 (b) The board may amend contribution rates as of July 1 of the second year of a
12 biennium for the County Employees Retirement System, if it is determined
13 on the basis of a subsequent actuarial valuation that amended contribution
14 rates are necessary to satisfy the requirements of subsections (1) and (2) of
15 this section.

16 (c) Effective for employer contribution rates payable on or after July 1, 2014,
17 the board shall not have the authority to amend contribution rates as of
18 July 1 of the second year of the biennium for the Kentucky Employees
19 Retirement System and the State Police Retirement System.

20 (4) The system shall advise each employer prior to the beginning of each biennium, or
21 prior to July 1 of the second year of a biennium for employers participating in the
22 County Employees Retirement System, of any change in the employer contribution
23 rate. Based on the employer contribution rate, each employer shall include in the
24 budget sufficient funds to pay the employer contributions as determined by the
25 board under subsections (1) to (3) of this section.

26 (5) ~~{(a) It is the intent of }~~The General Assembly shall pay the full actuarially
27 required contribution rate, as prescribed by this section, to ~~{begin phasing~~

1 ~~into the full actuarially required contribution rates for~~ the Kentucky
 2 Employees Retirement System and the State Police Retirement System *in*
 3 *fiscal years occurring on or after July 1, 2014.*

4 ~~{(b) For the employer contribution rate for the Kentucky Employees Retirement System~~
 5 ~~pertaining to nonhazardous employees, it is the intent of the General Assembly to~~
 6 ~~work towards the goal of contributing the actuarially required employer contribution~~
 7 ~~as follows:~~

- 8 1. ~~Forty four percent (44%) of the actuarially required contribution for the~~
 9 ~~fiscal year beginning July 1, 2010;~~
- 10 2. ~~Forty eight percent (48%) of the actuarially required contribution for the~~
 11 ~~fiscal year beginning July 1, 2011;~~
- 12 3. ~~Fifty three percent (53%) of the actuarially required contribution for the~~
 13 ~~fiscal year beginning July 1, 2012;~~
- 14 4. ~~Fifty seven percent (57%) of the actuarially required contribution for the~~
 15 ~~fiscal year beginning July 1, 2013;~~
- 16 5. ~~Sixty one percent (61%) of the actuarially required contribution for the~~
 17 ~~fiscal year beginning July 1, 2014;~~
- 18 6. ~~Sixty five percent (65%) of the actuarially required contribution for the~~
 19 ~~fiscal year beginning July 1, 2015;~~
- 20 7. ~~Sixty nine percent (69%) of the actuarially required contribution for the~~
 21 ~~fiscal year beginning July 1, 2016;~~
- 22 8. ~~Seventy three percent (73%) of the actuarially required contribution for~~
 23 ~~the fiscal year beginning July 1, 2017;~~
- 24 9. ~~Seventy seven percent (77%) of the actuarially required contribution for~~
 25 ~~the fiscal year beginning July 1, 2018;~~
- 26 10. ~~Eighty one percent (81%) of the actuarially required contribution for the~~
 27 ~~fiscal year beginning July 1, 2019;~~

11. ~~Eighty five percent (85%) of the actuarially required contribution for the
fiscal year beginning July 1, 2020;~~

12. ~~Eighty nine percent (89%) of the actuarially required contribution for
the fiscal year beginning July 1, 2021;~~

13. ~~Ninety three percent (93%) of the actuarially required contribution for
the fiscal year beginning July 1, 2022;~~

14. ~~Ninety seven percent (97%) of the actuarially required contribution for
the fiscal year beginning July 1, 2023; and~~

15. ~~One hundred percent (100%) of the actuarially required contribution for
the fiscal year beginning July 1, 2024.~~

(c) ~~For the employer contribution rate for the Kentucky Employees Retirement
System pertaining to hazardous employees, it is the intent of the General
Assembly to work towards the goal of contributing the full actuarially
required employer contribution as follows:~~

1. ~~Seventy six percent (76%) of the actuarially required contribution for
the fiscal year beginning July 1, 2010;~~

2. ~~Seventy nine percent (79%) of the actuarially required contribution for
the fiscal year beginning July 1, 2011;~~

3. ~~Eighty three percent (83%) of the actuarially required contribution for
the fiscal year beginning July 1, 2012;~~

4. ~~Eighty six percent (86%) of the actuarially required contribution for the
fiscal year beginning July 1, 2013;~~

5. ~~Eighty nine percent (89%) of the actuarially required contribution for
the fiscal year beginning July 1, 2014;~~

6. ~~Ninety two percent (92%) of the actuarially required contribution for the
fiscal year beginning July 1, 2015;~~

7. ~~Ninety five percent (95%) of the actuarially required contribution for the~~

1 fiscal year beginning July 1, 2016;

2 ~~8. Ninety eight percent (98%) of the actuarially required contribution for~~
3 ~~the fiscal year beginning July 1, 2017; and~~

4 ~~9. One hundred percent (100%) of the actuarially required contribution for~~
5 ~~the fiscal year beginning July 1, 2018.~~

6 ~~(d) For the employer contribution rate for the State Police Retirement System, it is~~
7 ~~the intent of the General Assembly to work towards the goal of contributing~~
8 ~~the full actuarially required employer contribution as follows:~~

9 ~~1. Sixty percent (60%) of the actuarially required contribution for the fiscal~~
10 ~~year beginning July 1, 2010;~~

11 ~~2. Sixty five percent (65%) of the actuarially required contribution for the~~
12 ~~fiscal year beginning July 1, 2011;~~

13 ~~3. Seventy percent (70%) of the actuarially required contribution for the~~
14 ~~fiscal year beginning July 1, 2012;~~

15 ~~4. Seventy five percent (75%) of the actuarially required contribution for~~
16 ~~the fiscal year beginning July 1, 2013;~~

17 ~~5. Eighty percent (80%) of the actuarially required contribution for the~~
18 ~~fiscal year beginning July 1, 2014;~~

19 ~~6. Eighty five percent (85%) of the actuarially required contribution for the~~
20 ~~fiscal year beginning July 1, 2015;~~

21 ~~7. Ninety percent (90%) of the actuarially required contribution for the~~
22 ~~fiscal year beginning July 1, 2016;~~

23 ~~8. Ninety five percent (95%) of the actuarially required contribution for the~~
24 ~~fiscal year beginning July 1, 2017;~~

25 ~~9. Ninety eight percent (98%) of the actuarially required contribution for~~
26 ~~the fiscal year beginning July 1, 2018; and~~

27 ~~10. One hundred percent (100%) of the actuarially required contribution for~~

~~the fiscal year beginning July 1, 2019.]~~

(6) Notwithstanding any other provision of KRS Chapter 61 to the contrary, the board shall establish employer contribution rates for the County Employees Retirement System that will phase in to the full actuarially required contribution for the health insurance fund over a ten (10) year period using the 2007-2008 fiscal year employer contribution for the health insurance fund as a base employer rate and incrementally increasing the employer rate from fiscal year 2008-2009 through fiscal year 2017-2018.

➔Section 54. KRS 61.570 is amended to read as follows:

All of the assets of the system shall be held and invested in the Kentucky employees retirement fund and credited, according to the purpose for which they are held, to one (1) of three (3) accounts, namely, the members'~~contribution~~ account, the retirement allowance account, and accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515, and 78.520, as prescribed by KRS 61.702(2)(b).

➔Section 55. KRS 61.575 is amended to read as follows:

(1) The members'~~contribution~~ account shall be the account to which:

(a) All members' contributions, or contributions picked up by the employer after August 1, 1982, and interest allowances as provided in KRS 61.510 to 61.692 shall be credited, except as provided by KRS 61.702(2)(b); **and**

(b) *For members who begin participating in the system on or after January 1, 2014, the employer pay credit and interest credited on such amounts as provided by Sections 8 and 9 of this Act shall be credited.*

Only funds from this account shall be **used to return**~~paid~~ the accumulated contributions **or accumulated account balances** of a member **when** required **by reason of any provision of KRS 61.510 to 61.705**~~[to be returned to him upon withdrawal, or paid in the event of his death before retirement]~~. Prior to the

1 member's retirement, death, or refund in accordance with KRS 61.625, no funds
2 shall be made available from the member~~[contribution]~~ account.

3 (2) Each member's contribution or contribution picked up by the employer shall be
4 credited to the individual account of the contributing member, except as provided
5 by KRS 61.702(2)(b).

6 (3) (a) Each member~~[on June 30 of each year]~~ shall have his individual account
7 credited with interest on June 30 of each fiscal year.

8 (b) For a member who begins participating before September 1, 2008, interest
9 shall be credited to his individual account at a rate determined by the board
10 but not less than two percent (2%) per annum on the accumulated account
11 balance~~[contributions]~~ of the member on June 30 of the preceding fiscal year.

12 (c) For a member who begins participating on or after September 1, 2008, but
13 prior to January 1, 2014, interest shall be credited to his individual account at
14 a rate of two and one-half percent (2.5%) per annum on the accumulated
15 account balance~~[contributions]~~ of the member on June 30 of the preceding
16 fiscal year.

17 (d) For a member who begins participating on or after January 1, 2014, in the
18 hybrid cash balance plan, interest shall be credited in accordance with
19 Sections 8 and 9 of this Act.

20 (e) The amounts of interest credited to a member's account under this subsection
21 shall be transferred from the retirement allowance account.

22 (4) (a) Upon the retirement of a member who began participating in the system
23 prior to January 1, 2014, his or her accumulated account
24 balance~~[contributions]~~ shall be transferred from the members'~~[contribution]~~
25 account to the retirement allowance account.

26 (b) Upon the retirement of a member who began participating in the system on
27 or after January 1, 2014, who elects to annuitize his or her accumulated

account balance as prescribed by subsection (7)(a) or (b) of Section 8 of this Act or subsection (7)(a) or (b) of Section 9 of this Act, the member's accumulated account balance shall be transferred to the retirement allowance account.

➔Section 56. KRS 61.580 is amended to read as follows:

The retirement allowance account shall be the account in which shall be accumulated all employer contributions and amounts transferred from the members' ~~contribution~~ account, and to which all income from the invested assets of the system shall be credited. From this account shall be paid the expenses of the system and the board incurred in administration of the system, retirement allowances, and any other benefits payable after a member's retirement and from this account shall be transferred to the members' ~~contribution~~ account;

(1) The employer pay credit added monthly to each member's individual accounts as provided by Sections 8 and 9 of this Act; and

(2) The interest credited annually to each member's individual account as provided by KRS ~~61.510 to 61.705~~ [61.575].

➔Section 57. KRS 61.592 is amended to read as follows:

(1) (a) "Hazardous position" for employees participating in the Kentucky Employees Retirement System, and for employees who begin participating in the County Employees Retirement System before September 1, 2008, means:

1. Any position whose principal duties involve active law enforcement, including the positions of probation and parole officer and Commonwealth detective, active fire suppression or prevention, or other positions, including, but not limited to, pilots of the Transportation Cabinet and paramedics and emergency medical technicians, with duties that require frequent exposure to a high degree of danger or peril and also require a high degree of physical conditioning;

1 2. Positions in the Department of Corrections in state correctional
2 institutions and the Kentucky Correctional Psychiatric Center with
3 duties that regularly and routinely require face-to-face contact with
4 inmates; and

5 3. Positions of employees who elect coverage under KRS 196.167(3)(b)2.
6 and who continue to provide educational services and support to inmates
7 as a Department of Corrections employee.

8 (b) "Hazardous position" for employees who begin participating in the County
9 Employees Retirement System on or after September 1, 2008, means police
10 officers and firefighters as defined in KRS 61.315(1), paramedics, correctional
11 officers with duties that routinely and regularly require face-to-face contact
12 with inmates, and emergency medical technicians if:

13 1. The employee's duties require frequent exposure to a high degree of
14 danger or peril and a high degree of physical conditioning; and

15 2. The employee's duties are not primarily clerical or administrative.

16 (c) The effective date of participation under hazardous duty coverage for
17 positions in the Department of Alcoholic Beverage Control shall be April 1,
18 1998. The employer and employee contributions shall be paid by the employer
19 and forwarded to the retirement system for the period not previously reported.

20 (2) (a) Each employer may request of the board hazardous duty coverage for
21 those positions as defined in subsection (1) of this section. Upon request, each
22 employer shall certify to the system, in the manner prescribed by the board,
23 the names of all employees working in a hazardous position as defined in
24 subsection (1) of this section for which coverage is requested. The
25 certification of the employer shall bear the approval of the agent or agency
26 responsible for the budget of the department or county indicating that the
27 required employer contributions have been provided for in the budget of the

1 employing department or county. The system shall determine whether the
2 employees whose names have been certified by the employer are working in
3 positions meeting the definition of a hazardous position as provided by
4 subsection (1) of this section. This process shall not be required for employees
5 who elect coverage under KRS 196.167(3)(b)2.

- 6 (b) Each employer desiring to provide hazardous duty coverage to employees who
7 begin participating in the County Employees Retirement System on or after
8 September 1, 2008, may request that the board approve hazardous duty
9 coverage for those positions that meet the criteria set forth in subsection (1)(b)
10 of this section. Each employer shall certify to the system, in the manner
11 prescribed by the board, the names of all employees working in a hazardous
12 position as defined in subsection (1)(b) of this section for which coverage is
13 requested and a job description for each position or employee. The
14 certification of the employer shall bear the approval of the agent or agency
15 responsible for the budget of the department or county indicating that the
16 required employer contributions have been provided for in the budget of the
17 employing department or county. Each employer shall also certify, under
18 penalty of perjury in accordance with KRS Chapter 523, that each employee's
19 actual job duties are accurately reflected in the job description provided to the
20 system. The system shall determine whether the employees whose names have
21 been certified by the employer are working in positions meeting the definition
22 of a hazardous position as defined in subsection (1)(b) of this section. The
23 board shall have the authority to remove any employee from hazardous duty
24 coverage if the board determines the employee is not working in a hazardous
25 duty position or if the employee is classified in a hazardous duty position but
26 has individual job duties that do not meet the definition of a hazardous duty
27 position or are not accurately reflected in the job descriptions filed by the

1 employer with the system.

2 (3) (a) An employee who elects coverage under KRS 196.167(3)(b)2., and an
3 employee participating in the Kentucky Employees Retirement System who is
4 determined by the system to be working in a hazardous position in accordance
5 with subsection (2) of this section, shall contribute, for each pay period for
6 which he receives compensation, eight percent (8%) of his creditable
7 compensation. An employee participating in the County Employees
8 Retirement System who is determined by the system to be working in a
9 hazardous duty position in accordance with subsection (2) of this section shall
10 contribute, for each pay period for which he receives compensation, eight
11 percent (8%) of his creditable compensation.

12 (b) Each employer shall pay employer contributions based on the creditable
13 compensation of the employees determined by the system to be working in a
14 hazardous position at the employer contribution rate as determined by the
15 board. The rate shall be determined by actuarial methods consistent with the
16 provisions of KRS 61.565.

17 (c) If the employer participated in the system prior to electing hazardous duty
18 coverage, the employer may pay to the system the cost of converting the
19 nonhazardous service to hazardous service from the date of participation to
20 the date the payment is made, or the employer may establish a payment
21 schedule for payment of the cost of the hazardous service above that which
22 would be funded within the existing employer contribution rate. The employer
23 may extend the payment schedule to a maximum of thirty (30) years.
24 Payments made by the employer under this subsection shall be deposited to
25 the retirement allowance account of the proper retirement system and these
26 funds shall not be considered accumulated contributions of the individual
27 members. If the employer elects not to make the additional payment, the

employee may make the lump-sum payment in his own behalf or may pay by increments. Payments made by the employee under this subsection shall not be picked up, as described in KRS 61.560(4), by the employer. If neither the employer nor employee makes the payment, the service prior to hazardous coverage shall remain nonhazardous. *The provisions of this paragraph shall not apply to members who begin participating in the systems administered by Kentucky Retirement Systems on or after January 1, 2014.*

(4) The normal retirement age, retirement allowance, *hybrid cash balance plans*, other benefits, eligibility requirements, rights, and responsibilities of a member in a hazardous position, as prescribed by subsections (1), (2), and (3) of this section, and the responsibilities, rights, and requirements of his employer shall be as prescribed for a member and employer participating in the State Police Retirement System as provided for by KRS 16.505 to 16.652.

(5) Any person employed in a hazardous position after July 1, 1972, shall be required to undergo a thorough medical examination by a licensed physician, and a copy of the medical report of the physician shall be retained on file by the employee's department or county and made available to the system upon request.

(6) If doubt exists regarding the benefits payable to a hazardous position employee under this section, the board shall determine the benefits payable under KRS 61.510 to 61.705, or 78.510 to 78.852, or 16.505 to 16.652.

➔Section 58. KRS 61.595 is amended to read as follows:

(1) Effective July 1, 1990, upon retirement at normal retirement date or subsequent thereto, a member may receive an annual retirement allowance, payable monthly during his lifetime, which shall consist of an amount equal to two and two-tenths percent (2.2%) for the County Employees Retirement System and one and ninety-seven hundredths percent (1.97%) for the Kentucky Employees Retirement System of final compensation multiplied by the number of years of service credit, except

1 that:

2 (a) Effective February 1, 1999, a member of the Kentucky Employees Retirement
3 System who was participating in one (1) of the state-administered retirement
4 systems as of January 1, 1998, and continues to participate through January 1,
5 1999, shall receive an annual retirement allowance, payable monthly during
6 his lifetime, which shall consist of an amount equal to two percent (2%) of
7 final compensation multiplied by the number of years of service credit. Any
8 Kentucky Employees Retirement System member whose effective date of
9 retirement is between February 1, 1999, and January 31, 2009, and who has at
10 least twenty (20) years of service credit in one (1) of the state-administered
11 retirement systems and who was participating in one (1) of the state-
12 administered retirement systems as of January 1, 1998, and continues to
13 participate through January 1, 1999, shall receive an annual retirement
14 allowance, payable monthly during his lifetime, which shall consist of an
15 amount equal to two and two-tenths percent (2.2%) of final compensation
16 multiplied by the number of years of service credit. Notwithstanding the
17 provisions of KRS 61.565, the funding for this paragraph shall be provided
18 from existing funds of the retirement allowance account;

19 (b) For a member of the County Employees Retirement System whose
20 participation begins on or after August 1, 2004, the annual retirement
21 allowance upon retirement at normal retirement date or later shall be equal to
22 two percent (2%) of final compensation multiplied by the number of years of
23 service credit and shall be payable monthly during his lifetime;

24 (c) The annual normal retirement allowance for members of the General
25 Assembly, who serve during the 1974 or 1976 General Assembly, and will
26 have eight (8) years or more of total legislative service as of January 6, 1978,
27 shall not be less than two hundred forty dollars (\$240) multiplied by the

1 number of years of service as a member of the General Assembly;

2 (d) For a member of the Kentucky Employees Retirement System or the County
3 Employees Retirement System who begins participating on or after September
4 1, 2008, the annual retirement allowance upon retirement shall be equal to:

5 1. a. One and one-tenth percent (1.1%) of final compensation for each
6 year of service if the member has earned ten (10) or less years of
7 service at retirement;

8 b. One and three-tenths percent (1.3%) of final compensation for
9 each year of service if the member has earned greater than ten (10)
10 but no more than twenty (20) years of service at retirement;

11 c. One and one-half percent (1.5%) of final compensation for each
12 year of service if the member has earned greater than twenty (20)
13 but no more than twenty-six (26) years of service at retirement; or

14 d. One and three-quarters percent (1.75%) of final compensation for
15 each year of service if the member has earned greater than twenty-
16 six (26) but no more than thirty (30) years of service at retirement;
17 and

18 2. Two percent (2.0%) of final compensation for each year of service
19 earned in excess of thirty (30) years of service at retirement;

20 (e) The annual normal retirement allowance for members of the General
21 Assembly who will have fewer than eight (8) years of service as of December
22 31, 1975, shall be as prescribed in Chapter 116, section 36(1), Acts of the
23 1972 General Assembly for legislative service prior to January 1, 1974;

24 (f) Former members of the General Assembly who have eight (8) or more years
25 of legislative service prior to the 1976 Regular Session are eligible for an
26 increased retirement allowance of two hundred forty dollars (\$240) times the
27 years of legislative service, if the member pays to the Kentucky Employees

Retirement System thirty-five percent (35%) of the actuarial cost of the higher benefit, as determined by the system, except that a former member with sixteen (16) or more years of legislative service, or his beneficiary, who is receiving a retirement allowance, also is eligible under this section and may apply for a recomputation of his retirement allowance. The employer's share of sixty-five percent (65%) of the computed actuarial cost shall be paid from the State Treasury to the Kentucky Employees Retirement System upon presentation of a properly documented claim to the Finance and Administration Cabinet. If any member with sixteen (16) or more years of legislative service previously applied for and is receiving a retirement allowance, he may reapply and his retirement allowance shall be recomputed in accordance with this paragraph, and he shall thereafter be paid in accordance with the option selected by him at the time of the reapplication;

and

(g) The annual normal retirement allowance for a member with ten (10) or more years of service, in the Kentucky Employees Retirement System, at least one (1) of which is current service, shall not be less than five hundred twelve dollars (\$512); ~~and~~

~~(h) The annual retirement allowance for a member of the Kentucky employees retirement system or County Employees Retirement System shall not exceed the maximum benefit as set forth in the Internal Revenue Code}.~~

(2) (a) Upon service retirement prior to normal retirement date, a member may receive an annual retirement allowance payable monthly during his lifetime which shall be determined in the same manner as for retirement at his normal retirement date with years of service and final compensation being determined as of the date of his actual retirement, but the amount of the retirement allowance so determined shall be reduced at an amount determined by the

1 board's actuary to reflect the earlier commencement of benefits.

2 (b) A member of the Kentucky Employees Retirement System or the County
3 Employees Retirement System who begins participating before September 1,
4 2008, who has twenty-seven (27) or more years of service credit, at least
5 fifteen (15) of which are current service, may retire with no reduction in the
6 retirement allowance. A member who begins participating before September
7 1, 2008, who has earned vested service credit in a retirement system, other
8 than the Teachers' Retirement System, sponsored by a Kentucky institution of
9 higher education, the Council on Postsecondary Education, or the Higher
10 Education Assistance Authority, may count the vested service toward attaining
11 the necessary years of service credit as provided in KRS 61.559(2)(c) and (d)
12 to qualify for a retirement allowance. The credit from a Kentucky institution
13 of higher education, the Council on Postsecondary Education, or the Higher
14 Education Assistance Authority shall not be used toward the minimum fifteen
15 (15) years of current service required by KRS 61.559(2)(c) and (d) or to
16 calculate his retirement allowance pursuant to this section. The provisions of
17 this paragraph shall not be construed to limit the use of Teachers' Retirement
18 System credit pursuant to KRS 61.680(2)(a).

19 (c) A member of the Kentucky Employees Retirement System or the County
20 Employees Retirement System who begins participating on or after September
21 1, 2008, may retire with no reduction in benefits if the member is fifty-seven
22 (57) years of age or older and has an age and years of service total of at least
23 eighty-seven (87) years. The years of service used to determine eligibility for
24 an unreduced retirement allowance under this paragraph shall only include
25 years of service credited under KRS 16.543(1), 61.543(1), or 78.615(1) or
26 another state-administered retirement system.

27 (3) **Subsections (1) and (2) of this section shall not apply to members who begin**

participating in the system on or after January 1, 2014. Members who begin participating in the system on or after January 1, 2014, shall receive the retirement benefits prescribed by Section 9 of this Act

~~[The retirement allowance shall be calculated by using the member's known creditable compensation prior to his last month's employment and an estimate of his creditable compensation during the last month he was employed. Based upon this calculation, the State Treasurer shall be requested to issue the initial retirement payment].~~

~~[(4) A new calculation shall be made when the official report has been received of the member's creditable compensation during his last month's employment. However, the retirement allowance determined in accordance with subsection (3) of this section shall be the official retirement allowance unless the new calculation derives an amount which is two dollars (\$2) greater or less than the amount of the initial retirement payment. If the member or beneficiary chose an actuarial equivalent refund payment option, the amount of estimated retirement allowance shall be the official retirement allowance unless the new calculation produces an amount which is one hundred dollars (\$100) greater or less than the amount of the initial retirement payment.]~~

➔ Section 59. KRS 61.605 is amended to read as follows:

- (1) Upon disability retirement, an employee may receive an annual retirement allowance payable monthly during his lifetime which shall be determined in the same manner as for retirement at his normal retirement date with years of service and final compensation being determined as of the date of his disability except that service credit shall be added to the person's total service beginning with his last date of paid employment and continuing to his sixty-fifth birthday; however, the maximum service credit added shall not exceed the total service the person had upon his last day of paid employment, and the maximum combined service credit for calculating his disability retirement allowance, including total service and added

1 service shall not exceed twenty-five (25) years. If, however, a person has
 2 accumulated twenty-five (25) or more years of total service, he shall receive added
 3 service necessary to bring his combined service credit, including total and added
 4 service, to twenty-seven (27) years.

- 5 (2) (a) For a member whose participation begins on or after August 1, 2004, but
 6 prior to January 1, 2014, the disability retirement allowance shall be the
 7 higher of twenty percent (20%) of the member's monthly final rate of pay or
 8 the retirement allowance determined in the same manner as for retirement at
 9 his normal retirement date with years of service and final compensation being
 10 determined as of the date of his disability.

11 (b) For a member who begins participating on or after January 1, 2014, in the
 12 hybrid cash balance plan as provided by Section 9 of this Act, the disability
 13 retirement allowance shall be the higher of twenty percent (20%) of the
 14 member's monthly final rate of pay or the retirement allowance determined
 15 in the same manner as for retirement at his or her normal retirement date
 16 under Section 9 of this Act.

17 ➔Section 60. KRS 61.615 is amended to read as follows:

- 18 (1) If the board's medical examiner determines that a recipient of a disability retirement
 19 allowance is, prior to his normal retirement date, employed in a position with the
 20 same or similar duties, or in a position with duties requiring greater residual
 21 functional capacity and physical exertion, as the position from which he was
 22 disabled, except where the recipient has returned to work on a trial basis not to
 23 exceed nine (9) months, the system may reduce or discontinue the retirement
 24 allowance. Each recipient of a disability retirement allowance who is engaged in
 25 gainful employment shall notify the system of any employment; otherwise, the
 26 system shall have the right to recover payments of a disability retirement allowance
 27 made during the employment.

1 (2) If the board's medical examiner determines that a recipient of a disability retirement
2 allowance is, prior to his normal retirement date, no longer incapacitated by the
3 bodily injury, mental illness, or disease for which he receives a disability retirement
4 allowance, the board may reduce or discontinue the retirement allowance.

5 (3) The system shall have full power and exclusive authority to reduce or discontinue a
6 disability retirement allowance and the system shall utilize the services of a medical
7 examiner as provided in KRS 61.665, in determining whether to continue, reduce,
8 or discontinue a disability retirement allowance under this section.

9 (a) The system shall select a medical examiner to evaluate the forms and medical
10 information submitted by the person. If there is objective medical evidence of
11 a mental impairment, the medical examiner may request the board's licensed
12 mental health professional to assist in determining the level of the mental
13 impairment.

14 (b) The medical examiners shall be paid a reasonable amount by the retirement
15 system for each case evaluated.

16 (c) The medical examiner shall recommend that disability retirement allowance
17 be continued, reduced, or discontinued.

18 1. If the medical examiner recommends that the disability retirement
19 allowance be continued, the system shall make retirement payments in
20 accordance with the retirement plan selected by the person.

21 2. If the medical examiner recommends that the disability retirement
22 allowance be reduced or discontinued, the system shall send notice of
23 the recommendation by United States first-class mail to the person's last
24 address on file in the retirement office.

25 a. The person shall have sixty (60) days from the day that the system
26 mailed the notice to file at the retirement office additional
27 supporting employment or medical information and certify to the

1 retirement office that the forms and additional supporting
2 employment information or medical information are ready to be
3 evaluated by the medical examiner or to appeal the
4 recommendation of the medical examiner to reduce or discontinue
5 the disability retirement allowance by filing at the retirement office
6 a request for a formal hearing.

- 7 b. If the person fails or refuses to file at the retirement office the
8 forms, the additional supporting employment information, and
9 current medical information or to appeal the recommendation of
10 the medical examiners to reduce or discontinue the disability
11 retirement allowance, his retirement allowance shall be
12 discontinued on the first day of the month following the expiration
13 of the period of the sixty (60) days from the day the system mailed
14 the notice of the recommendation to the person's last address on
15 file in the retirement office.

- 16 (d) The medical examiner shall make a recommendation based upon the
17 evaluation of additional supporting medical information submitted in
18 accordance with paragraph (c)2.a. of this subsection.

- 19 1. If the medical examiner recommends that the disability retirement
20 allowance be continued, the system shall make disability retirement
21 payments in accordance with the retirement plan selected by the person.
22 2. If the medical examiner recommends that the disability retirement
23 allowance be reduced or discontinued based upon the evaluation of
24 additional supporting medical information, the system shall send notice
25 of this recommendation by United States first-class mail to the person's
26 last address on file in the retirement office.

- 27 a. The person shall have sixty (60) days from the day that the system

1 mailed the notice of the recommendation to appeal the
2 recommendation to reduce or discontinue the disability retirement
3 allowance by filing at the retirement office a request for formal
4 hearing.

- 5 b. If the person fails or refuses to appeal the recommendation of the
6 medical examiners to reduce or discontinue the disability
7 retirement allowance, his retirement allowance shall be
8 discontinued on the first day of the month following the expiration
9 of the period of the sixty (60) days from the day the system mailed
10 the notice of the recommendation to the person's last address on
11 file in the retirement office.

- 12 (e) Any person whose disability benefits have been reduced or discontinued,
13 pursuant to paragraph (c)2. or (d)2. of this subsection, may file at the
14 retirement office a request for formal hearing to be conducted in accordance
15 with KRS Chapter 13B. The right to demand a formal hearing shall be limited
16 to a period of sixty (60) days after the person had notice, as described in
17 paragraph (c) or (d) of this subsection. The request for formal hearing shall be
18 filed with the system, at the retirement office in Frankfort. The request for
19 formal hearing shall include a short and plain statement of the reasons the
20 reduction, discontinuance, or denial of disability retirement is being contested.

- 21 (f) Failure of the person to request a formal hearing within the period of time
22 specified shall preclude the person from proceeding any further with
23 contesting the reduction or discontinuation of disability retirement allowance,
24 except as provided in subsection (6)(d) of this section. This paragraph shall
25 not limit the person's right to appeal to a court.

- 26 (g) A final order of the board shall be based on substantial evidence appearing in
27 the record as a whole and shall set forth the decision of the board and the facts

1 and law upon which the decision is based. If the board orders that the person's
2 disability retirement allowance be discontinued or reduced, the order shall
3 take effect on the first day of the month following the day the system mailed
4 the order to the person's last address on file in the retirement office. Judicial
5 review of the final board order shall not operate as a stay and the system shall
6 discontinue or reduce the person's disability retirement allowance as provided
7 in this section.

8 (h) Notwithstanding any other provisions of this section, the system may require
9 the person to submit to one (1) or more medical or psychological
10 examinations at any time. The system shall be responsible for any costs
11 associated with any examinations of the person requested by the medical
12 examiner or the system for the purpose of providing medical information
13 deemed necessary by the medical examiner or the system. Notice of the time
14 and place of the examination shall be mailed to the person or his legal
15 representative. If the person fails or refuses to submit to one (1) or more
16 medical examinations, his rights to further disability retirement allowance
17 shall cease.

18 (i) All requests for a hearing pursuant to this section shall be made in writing.

19 (4) The board may establish an appeals committee whose members shall be appointed
20 by the chair and who shall have the authority to act upon the recommendations and
21 reports of the hearing officer pursuant to this section on behalf of the board.

22 (5) Any person aggrieved by a final order of the board may seek judicial review after all
23 administrative appeals have been exhausted by filing a petition for judicial review
24 in the Franklin Circuit Court in accordance with KRS Chapter 13B.

25 (6) If a disability retirement allowance is reduced or discontinued for a person who
26 began participating in the system prior to January 1, 2014, the person may apply
27 for early retirement benefits as provided under KRS 61.559, subject to the following

1 provisions:

2 (a) The person may not change his beneficiary or payment option;

3 (b) If the person has returned to employment with an employer participating in
4 one (1) of the systems administered by Kentucky Retirement Systems, the
5 service and creditable compensation shall be used in recomputing his benefit,
6 except that the person's final compensation shall not be less than the final
7 compensation last used in determining his retirement allowance;

8 (c) The benefit shall be reduced as provided by KRS 61.595(2);

9 (d) The person shall remain eligible for reinstatement of his disability allowance
10 upon reevaluation by the medical review board until his normal retirement
11 age. The person shall apply for reinstatement of disability benefits in
12 accordance with the provisions of this section. An application for
13 reinstatement of disability benefits shall be administered as an application
14 under KRS 61.600, and only the bodily injuries, mental illnesses, diseases, or
15 conditions for which the person was originally approved for disability benefits
16 shall be considered. Bodily injuries, mental illnesses, diseases, or conditions
17 that came into existence after the person's last day of paid employment shall
18 not be considered as a basis for reinstatement of disability benefits. Bodily
19 injuries, mental illnesses, diseases, or conditions alleged by the person as
20 being incapacitating, but which were not the basis for the award of disability
21 retirement benefits, shall not be considered. If the person establishes that the
22 disability benefits should be reinstated, the retirement system shall pay
23 disability benefits effective from the first day of the month following the
24 month in which the person applied for reinstatement of the disability benefits;
25 and

26 (e) Upon attaining normal retirement age, the person shall receive the higher of
27 either his disability retirement allowance or his early retirement allowance.

1 (7) No disability retirement allowance shall be reduced or discontinued by the system
 2 after the person's normal retirement date except in case of reemployment as
 3 provided for by KRS 61.637. If a disability retirement allowance has been reduced
 4 or discontinued, except if the person is reemployed as provided for by KRS 61.637,
 5 the retirement allowance shall be reinstated upon attainment of the person's normal
 6 retirement date to the retirement allowance prior to adjustment. No reinstated
 7 payment shall be less than the person is receiving upon attainment of the person's
 8 normal retirement date.

9 ➔Section 61. KRS 61.621 is amended to read as follows:

10 (1) Notwithstanding any provision of any statutes to the contrary, effective June 1,
 11 2000, any employee participating in one (1) of the state-administered retirement
 12 systems who is not in a hazardous duty position, as defined in KRS 61.592, shall be
 13 eligible for minimum benefits equal to the benefits payable under this section or
 14 KRS 61.702 if the employee dies or becomes totally and permanently disabled to
 15 engage in any occupation for remuneration or profit as a result of a duty-related
 16 injury.

17 (2) (a) For purposes of this section, "duty-related injury" means:

- 18 1. a. A single traumatic event that occurs while the employee is
 19 performing the duties of his position; or
- 20 b. A single act of violence committed against the employee that is
 21 found to be related to his job duties, whether or not it occurs at his
 22 job site; and
- 23 2. The event or act of violence produces a harmful change in the human
 24 organism evidenced by objective medical findings.

25 (b) Duty-related injury does not include the effects of the natural aging process, a
 26 communicable disease unless the risk of contracting the disease is increased
 27 by nature of the employment, or a psychological, psychiatric, or stress-related

1 change in the human organism unless it is the direct result of a physical injury.

2 (3) (a) If the employee dies as a result of a duty-related injury and is survived by a
3 spouse, the surviving spouse shall be the beneficiary, and this shall supersede
4 the designation of all previous beneficiaries of the deceased employee's
5 retirement account.

6 (b) The surviving spouse may elect to receive the benefits payable under KRS
7 61.640 or other applicable death benefit statutes, or may elect to receive a
8 lump-sum payment of ten thousand dollars (\$10,000) and a monthly payment
9 equal to twenty-five percent (25%) of the member's monthly final rate of pay
10 beginning in the month following the member's death and continuing each
11 month until death.

12 (4) If the employee is determined to be disabled as provided in KRS 61.600, or other
13 applicable disability statutes in any other state-administered retirement system, as
14 the result of a duty-related injury, the employee may elect to receive benefits
15 determined under the provisions of KRS 61.605, or other applicable disability
16 statutes in any other state-administered retirement system, except that the monthly
17 retirement allowance shall not be less than twenty-five percent (25%) of the
18 employee's monthly final rate of pay. For purposes of determining disability, the
19 service requirement in KRS 61.600(1)(a), or other applicable statutes in any other
20 state-administered retirement system, shall be waived.

21 (5) In the period of time following a member's death or disability during which
22 dependent children survive, a monthly payment shall be made for each dependent
23 child who is alive which shall be equal to ten percent (10%) of the deceased or
24 disabled member's monthly final rate of pay; however, total maximum dependent
25 children's benefits shall not exceed forty percent (40%) of the deceased or disabled
26 member's monthly final rate of pay at the time any particular payment is due. The
27 payment shall commence in the month following the date of death or disability of

the member and shall be payable to the beneficiaries, or to a legally appointed guardian, or as directed by the system. Benefits for death as a result of a duty-related injury shall be payable under this subsection notwithstanding an election by a beneficiary to withdraw the deceased member's accumulated account balance~~[contributions]~~ as provided in KRS 61.625 or benefits under any other provisions of KRS 61.515 to 61.705 or other applicable death benefit statutes in any other state-administered retirement system.

(6) This section shall be known as "The Fred Capps Memorial Act."

➔ Section 62. KRS 61.625 is amended to read as follows:

(1) (a) Prior to the member's effective retirement date, a member if living, or if not living, his designated beneficiary, shall have the right to request a refund of his accumulated account balance if the member's employment has been terminated and the member is not participating in the same system~~[contributions, including the amount of any employee contributions picked up by the employer pursuant to KRS 61.560(4),]~~

(b) Upon the death of a member occurring on or after his or her effective retirement date, the member's beneficiary shall have the right to request a refund of the member's accumulated contributions, reduced by the amount of any retirement allowances previously received~~[if the member's employment has been terminated and the member is not participating in the same retirement system].~~

(2) Payments made under this section shall be in lieu of any other benefits due for the period of service under any of the provisions of KRS 16.505~~[16.510]~~ to 16.652, 61.510~~[61.515]~~ to 61.705, and 78.510~~[78.520]~~ to 78.852, unless the period of service is regained as provided under KRS 61.552. Payments of taxable distributions made pursuant to this section shall be subject to state and federal tax as appropriate.

1 (3) A refund of contributions of members whose benefits have been terminated
 2 pursuant to KRS 6.696 shall be governed by that section.

3 (4) A refund of contributions to members whose benefits have been terminated
 4 pursuant to subsection (3) of Section 46 of this Act shall be governed by the
 5 provisions of that subsection.

6 ➔Section 63. KRS 61.635 is amended to read as follows:

7 (1) Each member shall have the right to elect to have his retirement allowance payable
 8 under any one (1) of the options set forth in this section in lieu of the retirement
 9 allowance otherwise payable to him upon retirement under any of the provisions of
 10 KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852. The amount of any
 11 optional retirement allowance shall be actuarially equivalent to the amount of
 12 retirement allowance otherwise payable to him.

13 (2) Survivorship one hundred percent (100%). The member may elect to receive a
 14 decreased retirement allowance during his lifetime and have the retirement
 15 allowance continued after his death to his beneficiary during the lifetime of the
 16 person.

17 (3) Survivorship sixty-six and two-thirds percent (66-2/3%). The member may elect to
 18 receive a decreased retirement allowance during his lifetime and have two-thirds
 19 (2/3) of the retirement allowance continue after his death to his beneficiary during
 20 the lifetime of the person.

21 (4) Survivorship fifty percent (50%). The member may elect to receive a decreased
 22 retirement allowance during his lifetime and have one-half (1/2) of the retirement
 23 allowance continued after his death to his beneficiary during the lifetime of the
 24 person.

25 (5) Life with ten (10) years certain. The member less than age seventy-six (76) may
 26 elect to receive a monthly retirement allowance during his lifetime which shall
 27 guarantee payments for one hundred twenty (120) months. If the member dies

1 before receiving payments for one hundred twenty (120) months, his beneficiary
2 shall receive the remaining payments monthly, for the duration of the one hundred
3 twenty (120) months' period. However, if the trust is designated as beneficiary, the
4 trustee of the trust may elect to receive a lump-sum payment which shall be the
5 actuarial equivalent to the remaining payments, or the trustee may elect to continue
6 the remaining monthly payments to the trust of the member. If the estate is
7 designated as beneficiary, the estate shall receive a lump-sum payment which shall
8 be the actuarial equivalent to the remaining payments.

9 (6) Life with fifteen (15) years certain. The member less than age sixty-eight (68) may
10 elect to receive a monthly retirement allowance during his lifetime which shall
11 guarantee payments for one hundred and eighty (180) months. If the member dies
12 before receiving payments for one hundred and eighty (180) months, his beneficiary
13 shall receive the remaining payments monthly for the duration of the one hundred
14 and eighty (180) months' period. However, if the trust is designated as beneficiary,
15 the trustee of the trust may elect to receive a lump-sum payment which shall be the
16 actuarial equivalent to the remaining payments, or the trustee may elect to continue
17 the remaining payments to the trust of the member. If the estate is designated as
18 beneficiary, the estate shall receive a lump-sum payment which shall be the
19 actuarial equivalent to the remaining payments.

20 (7) Life with twenty (20) years certain. The member less than age sixty-two (62) may
21 elect to receive a monthly retirement allowance during his lifetime which shall
22 guarantee payments for two hundred and forty (240) months. If the member dies
23 before receiving payments for two hundred and forty (240) months, his beneficiary
24 shall receive the remaining payments for the duration of the two hundred and forty
25 (240) months period. However, if the trust is beneficiary, the trustee of the trust may
26 elect to receive a lump-sum payment which shall be the actuarial equivalent to the
27 remaining payments, or the trustee may elect to continue the remaining payments to

1 the trust of the member. If the estate is designated as beneficiary, the estate shall
2 receive a lump-sum payment which shall be the actuarial equivalent to the
3 remaining payments.

4 (8) Social Security adjustment options. These options shall be available to any member
5 who has not attained age sixty-two (62) as follows:

6 (a) No survivor rights. The member may elect to receive an increased retirement
7 allowance from his effective retirement date through the month he attains age
8 sixty-two (62) at which time his retirement allowance shall be decreased for
9 the remainder of his lifetime;

10 (b) Survivor rights. The member may elect to receive an increased retirement
11 allowance from his effective retirement date through the month he attains age
12 sixty-two (62) based on the option payable under subsection (2) of this
13 section, if the retirement allowance shall be decreased in the month following
14 the month he attains age sixty-two (62), or the month following the month he
15 would have attained age sixty-two (62), in event of his death, and have the
16 retirement allowance continue after his death to his beneficiary during the
17 lifetime of the person.

18 (9) Beneficiary Social Security adjustment option. This option is available to the
19 beneficiary of a deceased member if the beneficiary, who is a person, has not
20 attained age sixty (60), and is eligible to receive Social Security payments at age
21 sixty (60). The beneficiary may elect to receive during his lifetime an increased
22 retirement allowance based on his annual benefit payable for life. The payment shall
23 begin on his effective retirement date and continue through the month he attains age
24 sixty (60) at which time his retirement allowance shall be decreased for the
25 remainder of his lifetime.

26 (10) Pop-up option. The member may elect to receive a decreased retirement allowance
27 during his lifetime and have the retirement allowance continued after his death to

1 his beneficiary during the lifetime of the person. If the beneficiary dies prior to the
 2 member, or if the beneficiary is the member's spouse and they divorce, the
 3 member's retirement allowance shall increase to the amount that would have been
 4 payable as a single life annuity.

5 (11) Actuarial equivalent refund. ~~A[The]~~ member who began participating in the
 6 system prior to January 1, 2014, may elect to receive a one (1) time lump-sum
 7 payment which shall be the actuarial equivalent of the amount payable for a period
 8 of sixty (60) months under KRS 61.595 (1).

9 (12) Partial lump-sum option.

10 (a) No survivor rights. A member retiring on or before January 1, 2009, may elect
 11 to receive a one-time lump-sum payment equal to twelve (12), twenty-four
 12 (24), or thirty-six (36) monthly retirement allowances payable under the
 13 applicable retirement formula for the system and receive a reduced monthly
 14 retirement allowance payable for his or her lifetime. The lump-sum payment
 15 shall be paid in the month the first monthly retirement allowance is payable.

16 (b) Survivor rights. A member retiring on or before January 1, 2009, may elect to
 17 receive a one-time lump-sum payment equal to twelve (12), twenty-four (24),
 18 or thirty-six (36) monthly retirement allowances payable under subsection (2)
 19 of this section and receive a reduced monthly retirement allowance payable for
 20 his or her lifetime. The lump-sum payment shall be paid in the month the first
 21 monthly retirement allowance is payable. The reduced retirement allowance
 22 shall be continued after the member's death to his beneficiary during the
 23 lifetime of the person.

24 (13) The other provisions of this section notwithstanding, the beneficiary of a retired
 25 member of the General Assembly shall, after the member's death, receive sixty-six
 26 and two-thirds percent (66-2/3%) of the member's retirement allowance during his
 27 or her lifetime if the member of the General Assembly began participating in the

1 system prior to January 1, 2014, and has elected this option and has made
 2 contributions in accordance with subsection (14) of this section and of KRS 61.560.
 3 The retirement allowance of the retired member of the General Assembly shall not
 4 be actuarially reduced to provide for this survivor benefit.

5 (14) A member of the General Assembly who began participating in the system prior to
 6 January 1, 2014, who wishes to obtain the survivorship option specified in
 7 subsection (13) of this section shall so notify the Kentucky retirement systems:

- 8 (a) Within thirty (30) days after first becoming a member of the General
 9 Assembly if he is not a member of the General Assembly on July 15, 1980; or
- 10 (b) Within thirty (30) days after July 15, 1980, if he is a member of the General
 11 Assembly on July 15, 1980.

12 (15) The system shall forward to members of the General Assembly a form on which a
 13 member who began participating in the system prior to January 1, 2014, may
 14 elect the option provided for in subsections (13) and (14) of this section.

15 (16) The options described in subsections (2), (3), (4), (8)(b), (10), (12)(b), and (13) of
 16 this section shall be extended to the member only if the designated beneficiary is a
 17 person.

18 ➔Section 64. KRS 61.640 is amended to read as follows:

- 19 (1) If a member dies prior to the first day of the month in which the member would
 20 have received his or her first retirement allowance, the member's beneficiary shall
 21 be eligible for the benefits provided by this section if the member had on file a
 22 written designation of a beneficiary with the retirement office as provided by KRS
 23 61.542 and the member met the following conditions at the date of his or her death:
- 24 (a) The member was eligible to retire under KRS 61.559(2) or (3) or subsection
 25 (6)(a) or (b) of Section 9 of this Act;
- 26 (b) The member was in active employment or on authorized leave of absence with
 27 five (5) or more years of service credit and died prior to his or her normal

1 retirement date or was normal retirement age or older and had at least four (4)
2 years of service credit; or

3 (c) The member was not in active employment or on authorized leave of absence
4 with twelve (12) or more years of service credit and died prior to his or her
5 normal retirement date.

6 (2) If the beneficiary eligible for benefits as provided in subsection (1) of this section is
7 a single person, then the beneficiary may elect to receive:

8 (a) A monthly benefit payable for the life of the beneficiary that is equal to the
9 benefit that would have been paid had the member retired immediately prior
10 to his or her date of death and elected to receive benefits payable under the
11 survivorship one hundred percent (100%) option as provided in KRS
12 61.635(2);

13 (b) A monthly benefit payable for the life of the beneficiary under the beneficiary
14 Social Security adjustment option as provided in KRS 61.635(9) that is the
15 actuarial equivalent to the amount computed under paragraph (a) of this
16 subsection;

17 (c) A monthly benefit payable for a period of sixty (60) months that is the
18 actuarial equivalent to the amount computed under paragraph (a) of this
19 subsection;

20 (d) A monthly benefit payable for a period of one hundred twenty (120) months
21 that is the actuarial equivalent to the amount computed under paragraph (a) of
22 this subsection;

23 (e) **If the member began participating in the system prior to January 1, 2014,** a
24 monthly benefit payable for a period of one hundred twenty (120) months that
25 is equivalent to the benefit the member would have been entitled to receive
26 based on his or her years of service and final compensation at the date of his
27 or her death reduced by the survivorship fifty percent (50%) factor as provided

1 for in KRS 61.635(4), then reduced by fifty percent (50%), and that is the
 2 actuarial equivalent to the amount computed under paragraph (a) of this
 3 subsection; or

4 (f) The higher of a refund of the member's accumulated account
 5 balance~~[contributions and interest]~~ as described in KRS 61.625(1) or one (1)
 6 time lump-sum payment which shall be the actuarial equivalent of the amount
 7 payable under paragraph (a) of this subsection for a period of sixty (60)
 8 months.

9 (3) If the beneficiary eligible for benefits as provided by subsection (1) of this section
 10 are multiple beneficiaries or a trust, then the multiple beneficiaries by consensus or
 11 the trustee may elect to receive the actuarial equivalent amounts payable under
 12 subsection (2)(c), (d), (e), or (f) of this section using the assumption that the
 13 beneficiary's age is the same as the member's age.

14 (4) If the beneficiary eligible for benefits as provided in subsection (1) of this section is
 15 the member's estate, then the beneficiary shall receive the higher of a refund of the
 16 member's accumulated account balance~~[contributions and interest]~~ as described in
 17 KRS 61.625(1) or the one (1) time lump-sum payment payable under subsection
 18 (2)(f) of this section, using the assumption that the beneficiary's age is the same as
 19 the member's age.

20 (5) Payments of taxable distributions made pursuant to this section shall be subject to
 21 state and federal income tax as appropriate.

22 ➔Section 65. KRS 61.645 is amended to read as follows:

23 (1) The County Employees Retirement System, Kentucky Employees Retirement
 24 System, and State Police Retirement System shall be administered by the board of
 25 trustees of the Kentucky Retirement Systems composed of thirteen (13)~~[nine (9)]~~
 26 members, who shall be selected as follows:

27 (a) The secretary of the Personnel Cabinet shall serve as trustee for as long as he

occupies the position of secretary under KRS 18A.015, except as provided under subsections (5) and (6) of this section;

(b) **Three (3)**~~Two (2)~~ trustees, who shall be members or retired from the County Employees Retirement System, elected by the members and retired members of the County Employees Retirement System;

(c) One (1) trustee, who shall be a member or retired from the State Police Retirement System, elected by the members and retired members of the State Police Retirement System;

(d) Two (2) trustees, who shall be members or retired from the Kentucky Employees Retirement System, elected by the members and retired members of the Kentucky Employees Retirement System; and

(e) **Six (6)**~~Three (3)~~ trustees, appointed by the Governor of the Commonwealth. Of the **six (6)**~~three (3)~~ trustees appointed by the Governor:

1. One (1) trustee shall be knowledgeable about the impact of pension requirements on local governments;

2. **One (1) trustee shall be appointed from a list of three (3) applicants submitted by the Kentucky League of Cities;**

3 **One (1) trustee shall be appointed from a list of three (3) applicants submitted by the Kentucky Association of Counties;**

4. **One (1) trustee shall be appointed from a list of three (3) applicants submitted by the Kentucky School Boards Association;** and

5.~~2.~~ Two (2) trustees shall have investment experience. For purposes of this subparagraph, a trustee with "investment experience" means an individual who does not have a conflict of interest, as provided by KRS 61.655, and who has at least ten (10) years of experience in one (1) of the following areas of expertise:

a. A portfolio manager acting in a fiduciary capacity;

- 1 b. A professional securities analyst or investment consultant;
 - 2 c. A current or retired employee or principal of a trust institution,
 - 3 investment or finance organization, or endowment fund acting in
 - 4 an investment-related capacity;
 - 5 d. A chartered financial analyst in good standing as determined by the
 - 6 CFA Institute;
 - 7 e. A university professor, teaching economics or investment-related
 - 8 studies; or
 - 9 f. Any other professional with exceptional experience in the field of
 - 10 public or private finances.
- 11 (2) The board is hereby granted the powers and privileges of a corporation, including
- 12 but not limited to the following powers:
- 13 (a) To sue and be sued in its corporate name;
 - 14 (b) To make bylaws not inconsistent with the law;
 - 15 (c) To conduct the business and promote the purposes for which it was formed;
 - 16 (d) To contract for investment counseling, actuarial, auditing, medical, and other
 - 17 professional or technical services as required to carry out the obligations of
 - 18 the board without limitation, notwithstanding the provisions of KRS Chapters
 - 19 45, 45A, 56, and 57;
 - 20 (e) To purchase fiduciary liability insurance;
 - 21 (f) To acquire, hold, sell, dispose of, pledge, lease, or mortgage, the goods or
 - 22 property necessary to exercise the board's powers and perform the board's
 - 23 duties without limitation, notwithstanding the limitations of KRS Chapters 45,
 - 24 45A, and 56; and
 - 25 (g) The board shall reimburse any trustee, officer, or employee for any legal
 - 26 expense resulting from a civil action arising out of the performance of his
 - 27 official duties.

1 (3) (a) Notwithstanding the provisions of subsection (1) of this section, each trustee
 2 shall serve a term of four (4) years or until his successor is duly qualified
 3 except as otherwise provided in this section. An elected trustee or a trustee
 4 appointed by the Governor under subsection (1)(e) of this section, shall not
 5 serve more than three (3) consecutive four (4) year terms. An elected trustee
 6 or a trustee appointed by the Governor under subsection (1)(e) of this section,
 7 who has served three (3) consecutive terms may be elected or appointed again
 8 after an absence of four (4) years from the board.

9 (b) The term limits established by paragraph (a) of this subsection shall apply to
 10 trustees serving on or after July 1, 2012, and all terms of office served prior to
 11 July 1, 2012, shall be used to determine if the trustee has exceeded the term
 12 limits provided by paragraph (a) of this subsection.

13 (4) (a) The trustees selected by the membership of each of the various retirement
 14 systems shall be elected by ballot. For each trustee to be elected, the board
 15 may nominate, not less than six (6) months before a term of office of a trustee
 16 is due to expire, three (3) constitutionally eligible individuals.

17 (b) Individuals may be nominated by the retirement system members which are to
 18 elect the trustee by presenting to the executive director, not less than four (4)
 19 months before a term of office of a trustee is due to expire, a petition, bearing
 20 the name, last four digits of the Social Security number, and signature of no
 21 less than one-tenth (1/10) of the number voting in the last election by the
 22 retirement system members.

23 (c) Within four (4) months of the nominations made in accordance with
 24 paragraphs (a) and (b) of this subsection, the executive director shall cause to
 25 be prepared an official ballot. The ballot shall carry the name, address, and
 26 position title of each individual nominated by the board and by petition.
 27 Provisions shall also be made for write-in votes.

- 1 (d) The ballots shall be distributed to the eligible voters by mail to their last
2 known residence address.
- 3 (e) The ballots shall be addressed to the Kentucky Retirement Systems in care of
4 a predetermined box number at a United States Post Office located within
5 Kentucky. Access to this post office box shall be limited to the board's
6 contracted auditing firm. The individual receiving a plurality of votes shall be
7 declared elected.
- 8 (f) The eligible voter shall cast his ballot by checking a square opposite the name
9 of the candidate of his choice. He shall sign and mail the ballot at least thirty
10 (30) days prior to the date the term to be filled is due to expire. The latest
11 mailing date shall be printed on the ballot.
- 12 (g) The board's contracted auditing firm shall report in writing the outcome to the
13 chair of the board of trustees. Cost of an election shall be payable from the
14 funds of the system for which the trustee is elected.
- 15 (h) For purposes of this subsection, an eligible voter shall be a person who was a
16 member of the retirement system on December 31 of the year preceding the
17 election year.
- 18 (i) Each individual who submits a request to be nominated by the board under
19 paragraph (a) of this subsection and each individual who is nominated by the
20 membership under paragraph (b) of this subsection shall:
- 21 1. Complete an application developed by the retirement systems which
22 shall include but not be limited to a disclosure of any prior felonies and
23 any conflicts of interest that would hinder the individual's ability to
24 serve on the board;
 - 25 2. Submit a resume detailing the individual's education and employment
26 history and a cover letter detailing the member's qualifications for
27 serving as trustee to the board; and

1 3. Authorize the systems to have a criminal background check performed.
2 The criminal background check shall be performed by the Department of
3 Kentucky State Police.

- 4 (5) Any vacancy which may occur in an appointed position shall be filled in the same
5 manner which provides for the selection of the particular trustee, and any vacancy
6 which may occur in an elected position shall be filled by appointment by a majority
7 vote of the remaining trustees, and if the secretary of the Personnel Cabinet resigns
8 his position as trustee, it shall be filled by appointment made by the Governor;
9 however, any vacancy shall be filled only for the duration of the unexpired term.
- 10 (6) (a) Membership on the board of trustees shall not be incompatible with any other
11 office unless a constitutional incompatibility exists. No trustee shall serve in
12 more than one (1) position as trustee on the board; and if a trustee holds more
13 than one (1) position as trustee on the board, he shall resign a position.
- 14 (b) A trustee shall be removed from office upon conviction of a felony or for a
15 finding of a violation of any provision of KRS 11A.020 or 11A.040 by a court
16 of competent jurisdiction.
- 17 (c) A current or former employee of Kentucky Retirement Systems shall not be
18 eligible to serve as a member of the board.
- 19 (7) Trustees who do not otherwise receive a salary from the State Treasury shall receive
20 a per diem of eighty dollars (\$80) for each day they are in session or on official
21 duty, and they shall be reimbursed for their actual and necessary expenses in
22 accordance with state administrative regulations and standards.
- 23 (8) (a) The board shall meet at least once in each quarter of the year and may meet in
24 special session upon the call of the chair or the executive director.
- 25 (b) The board shall elect a chair and a vice chair. The chair shall not serve more
26 than four (4) consecutive years as chair or vice-chair of the board. The vice-
27 chair shall not serve more than four (4) consecutive years as chair or vice-

1 chair of the board. A trustee who has served four (4) consecutive years as
 2 chair or vice-chair of the board may be elected chair or vice-chair of the board
 3 after an absence of two (2) years from the positions.

4 (c) A majority of the trustees shall constitute a quorum and all actions taken by
 5 the board shall be by affirmative vote of a majority of the trustees present.

6 (9) (a) The board of trustees shall appoint or contract for the services of an executive
 7 director and fix the compensation and other terms of employment for this
 8 position without limitation of the provisions of KRS Chapters 18A and 45A
 9 and KRS 64.640. The executive director shall be the chief administrative
 10 officer of the board.

11 (b) The board of trustees shall authorize the executive director to appoint the
 12 employees deemed necessary to transact the business of the system. For an
 13 appointee deemed to be in a policy-making position, the board shall determine
 14 the compensation and other terms of employment for the policy-making
 15 position without limitation of the provisions of KRS Chapter 18A. Anything
 16 in the Kentucky Revised Statutes to the contrary notwithstanding, the power
 17 over and control of determining and maintaining an adequate complement of
 18 employees shall be under the exclusive jurisdiction of the board of trustees.

19 (c) Effective December 1, 2002, all employees of the Kentucky Retirement
 20 Systems shall be transferred to a personnel system adopted by the board.
 21 Employees of Kentucky Retirement Systems covered by the personnel system
 22 adopted by the board shall be:

- 23 1. Provided the same health insurance coverage as all other state
 24 government employees as provided in KRS 18A.225;
- 25 2. Eligible to participate in the deferred compensation system provided for
 26 all state government employees as provided in KRS 18A.250 to
 27 18A.265;

- 1 3. Provided the same life insurance coverage provided all state employees
2 as provided in KRS 18A.205 to 18A.215;
- 3 4. Reimbursed for all reasonable and necessary travel expenses and
4 disbursements incurred or made in the performance of official duties in
5 accordance with KRS Chapter 45;
- 6 5. Ensured equal employment opportunity regardless of race, color, gender,
7 religion, national origin, disability, sexual orientation, or age;
- 8 6. Given those holidays and rights granted to state employees as provided
9 in KRS 18A.190;
- 10 7. Paid a salary not less than the salary paid as of the date of transfer to the
11 personnel system, unless voluntarily demoted or involuntarily demoted
12 for cause;
- 13 8. Credited with all accumulated sick leave, compensatory time, and
14 annual leave accumulated in accordance with KRS Chapter 18A, and for
15 an employee leaving service, the system shall attest to the employee's
16 accumulated sick leave, compensatory time, and annual leave which
17 shall be credited with other state and county employers to the extent
18 provided for by statute or policy. The Kentucky Retirement Systems
19 may, at the discretion of the board, accept from other state and county
20 employers all accumulated sick leave, compensatory time, and annual
21 leave for an employee leaving a state or county employer and accepting
22 employment with the Kentucky Retirement Systems. The executive
23 branch shall accept from the Kentucky Retirement Systems all
24 accumulated sick leave, compensatory time, and annual leave for an
25 employee leaving the Kentucky Retirement Systems and accepting
26 employment with the executive branch. The Kentucky Retirement
27 Systems shall accept from the executive branch all accumulated sick

1 leave, compensatory time, and annual leave for an employee leaving the
2 executive branch and accepting employment with the Kentucky
3 Retirement Systems;

4 9. Classified with status upon transfer to the personnel system on
5 December 1, 2002, if the employee was classified with status as a merit
6 employee under KRS Chapter 18A. Any employee of the Kentucky
7 Retirement Systems transferred on December 1, 2002, during the
8 probationary period before earning classified status as a merit system
9 employee under KRS Chapter 18A shall transfer all accrued
10 probationary time and the time shall be credited to the probationary time
11 required to attain classified status in the personnel system;

12 10. Ensured a grievance appeal procedure and the employee's right to have a
13 representative present at each step of the grievance procedure; and

14 11. Ensured of the right of appeal in a manner consistent with the provisions
15 of KRS 18A.095 to the Kentucky Personnel Board and employees
16 classified with status in the personnel system shall not be dismissed,
17 demoted, suspended, or otherwise penalized except for cause.

18 (d) The board shall adopt by administrative regulation a fair, equitable, and
19 comprehensive personnel policy with a minimum of the following provisions
20 for the personnel system:

21 1. A code of conduct including provisions describing performance of
22 duties, abuse of position, conflicts of interest, and outside employment;

23 2. An appointments plan including provisions describing the appointing
24 authority, appointments, equal employment policy, sexual harassment
25 policy, and drug-free workplace policy;

26 3. A classification plan including provisions describing class
27 specifications, position actions, and employee actions;

- 1 4. A compensation plan based on qualifications, experience, and
2 responsibilities and including provisions which describe a salary
3 schedule, salary adjustments, salary advancements, and an employee
4 suggestion program;
- 5 5. Separations, disciplinary actions, and appeal policies including
6 provisions describing classified with status, exemptions from classified
7 with status, lay-offs, abolishment of position, dismissals and notification
8 of dismissal, dismissals during probationary period, disciplinary actions,
9 right of appeal, grievance and appeal procedures, and an employee
10 grievance and appeal committee;
- 11 6. Service and benefits regulations including provisions describing hours of
12 work, fringe benefits, workers' compensation, payroll deductions,
13 holidays, inclement weather days, compensatory time, retirement,
14 resignations, employee evaluations, and political activities; and
- 15 7. Leave policies including provisions describing special leave, annual
16 leave, court leave and jury duty, military leave, voting leave, educational
17 leave, sick leave, family medical leave, leave without pay, absence
18 without leave, and blood donation leave.
- 19 (e) The board shall require the executive director and the employees as it thinks
20 proper to execute bonds for the faithful performance of their duties
21 notwithstanding the limitations of KRS Chapter 62.
- 22 (f) The board shall establish a system of accounting.
- 23 (g) The board shall do all things, take all actions, and promulgate all
24 administrative regulations, not inconsistent with the provisions of KRS 16.505
25 to 16.652, 61.510 to 61.705, and 78.510 to 78.852, necessary or proper in
26 order to carry out the provisions of KRS 16.505 to 16.652, 61.510 to 61.705,
27 and 78.510 to 78.852. Notwithstanding any other evidence of legislative

1 intent, it is hereby declared to be the controlling legislative intent that the
2 provisions of KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852
3 conform with federal statute or regulation and meet the qualification
4 requirements under 26 U.S.C. sec. 401(a), applicable federal regulations, and
5 other published guidance. Provisions of KRS 16.505 to 16.652, 61.510 to
6 61.705, and 78.510 to 78.852 which conflict with federal statute or regulation
7 or qualification under 26 U.S.C. sec. 401(a), applicable federal regulations,
8 and other published guidance shall not be available. The board shall have the
9 authority to promulgate administrative regulations to conform with federal
10 statute and regulation and to meet the qualification requirements under 26
11 U.S.C. sec. 401(a), including an administrative regulation to comply with 26
12 U.S.C. sec. 401(a)(9). The board shall have the authority to promulgate an
13 administrative regulation to comply with any consent decrees entered into by
14 the board in Civil Action No. 3:99CV500(C) in order to bring the systems into
15 compliance with the Age Discrimination in Employment Act, 29 U.S.C.
16 Section 621, et seq., as amended.

17 (10) All employees of the board shall serve during its will and pleasure. Notwithstanding
18 any statute to the contrary, employees shall not be considered legislative agents
19 under KRS 6.611.

20 (11) The Attorney General, or an assistant designated by him, may attend each meeting
21 of the board and may receive the agenda, board minutes, and other information
22 distributed to trustees of the board upon request. The Attorney General may act as
23 legal adviser and attorney for the board, and the board may contract for legal
24 services, notwithstanding the limitations of KRS Chapter 12 or 13B.

25 (12) (a) The system shall publish an annual financial report showing all receipts,
26 disbursements, assets, and liabilities. The annual report shall include a copy of
27 an audit conducted in accordance with generally accepted auditing standards.

1 Except as provided by paragraph (b) of this subsection, the board may select
2 an independent certified public accountant or the Auditor of Public Accounts
3 to perform the audit. If the audit is performed by an independent certified
4 public accountant, the Auditor of Public Accounts shall not be required to
5 perform an audit pursuant to KRS 43.050(2)(a), but may perform an audit at
6 his discretion. All proceedings and records of the board shall be open for
7 inspection by the public. The system shall make copies of the audit required
8 by this subsection available for examination by any member, retiree, or
9 beneficiary in the office of the executive director of the Kentucky Retirement
10 Systems and in other places as necessary to make the audit available to all
11 members, retirees, and beneficiaries. A copy of the annual audit shall be sent
12 to the Legislative Research Commission no later than ten (10) days after
13 receipt by the board.

14 (b) At least once every five (5) years, the Auditor of Public Accounts shall
15 perform the audit described by this subsection, and the system shall reimburse
16 the Auditor of Public Accounts for all costs of the audit. The Auditor of
17 Public Accounts shall determine which fiscal year during the five (5) year
18 period the audit prescribed by this paragraph will be completed.

19 (13) All expenses incurred by or on behalf of the system and the board in the
20 administration of the system during a fiscal year shall be paid from the retirement
21 allowance account. Any other statute to the contrary notwithstanding, authorization
22 for all expenditures relating to the administrative operations of the system shall be
23 contained in the biennial budget unit request, branch budget recommendation, and
24 the financial plan adopted by the General Assembly pursuant to KRS Chapter 48.

25 (14) Any person adversely affected by a decision of the board, except as provided under
26 subsection (16) of this section or KRS 61.665, involving KRS 16.505 to 16.652,
27 61.510 to 61.705, and 78.510 to 78.852, may appeal the decision of the board to the

1 Franklin Circuit Court within sixty (60) days of the board action.

2 (15) (a) A trustee shall discharge his duties as a trustee, including his duties as a
3 member of a committee:

- 4 1. In good faith;
- 5 2. On an informed basis; and
- 6 3. In a manner he honestly believes to be in the best interest of the
7 Kentucky Retirement Systems.

8 (b) A trustee discharges his duties on an informed basis if, when he makes an
9 inquiry into the business and affairs of the Kentucky Retirement Systems or
10 into a particular action to be taken or decision to be made, he exercises the
11 care an ordinary prudent person in a like position would exercise under similar
12 circumstances.

13 (c) In discharging his duties, a trustee may rely on information, opinions, reports,
14 or statements, including financial statements and other financial data, if
15 prepared or presented by:

- 16 1. One (1) or more officers or employees of the Kentucky Retirement
17 Systems whom the trustee honestly believes to be reliable and competent
18 in the matters presented;
- 19 2. Legal counsel, public accountants, actuaries, or other persons as to
20 matters the trustee honestly believes are within the person's professional
21 or expert competence; or
- 22 3. A committee of the board of trustees of which he is not a member if the
23 trustee honestly believes the committee merits confidence.

24 (d) A trustee shall not be considered as acting in good faith if he has knowledge
25 concerning the matter in question that makes reliance otherwise permitted by
26 paragraph (c) of this subsection unwarranted.

27 (e) Any action taken as a trustee, or any failure to take any action as a trustee,

1 shall not be the basis for monetary damages or injunctive relief unless:

2 1. The trustee has breached or failed to perform the duties of the trustee's
3 office in compliance with this section; and

4 2. In the case of an action for monetary damages, the breach or failure to
5 perform constitutes willful misconduct or wanton or reckless disregard
6 for human rights, safety, or property.

7 (f) A person bringing an action for monetary damages under this section shall
8 have the burden of proving by clear and convincing evidence the provisions of
9 paragraph (e)1. and 2. of this subsection, and the burden of proving that the
10 breach or failure to perform was the legal cause of damages suffered by the
11 Kentucky Retirement Systems.

12 (g) Nothing in this section shall eliminate or limit the liability of any trustee for
13 any act or omission occurring prior to July 15, 1988.

14 (h) In discharging his or her administrative duties under this section, a trustee
15 shall strive to administer the retirement system in an efficient and cost-
16 effective manner for the taxpayers of the Commonwealth of Kentucky.

17 (16) When an order by the system substantially impairs the benefits or rights of a
18 member, retired member, or recipient, except action which relates to entitlement to
19 disability benefits, **or when an employer disagrees with an order of the system as**
20 **provided by Section 10 of this Act,** the affected member, retired member, {~~or~~
21 }recipient, **or employer** may request a hearing to be held in accordance with KRS
22 Chapter 13B. The board may establish an appeals committee whose members shall
23 be appointed by the chair and who shall have authority to act upon the
24 recommendations and reports of the hearing officer on behalf of the board. The
25 member, retired member, {~~or~~}recipient, **or employer** aggrieved by a final order of
26 the board following the hearing may appeal the decision to the Franklin Circuit
27 Court, in accordance with KRS Chapter 13B.

1 (17) The board shall give the Kentucky Education Support Personnel Association
2 twenty-four (24) hours notice of the board meetings, to the extent possible.

3 (18) The board shall establish a formal trustee education program for all trustees of the
4 board. The program shall include but not be limited to the following:

5 (a) A required orientation program for all new trustees elected or appointed to the
6 board. The orientation program shall include training on:

- 7 1. Benefits and benefits administration;
- 8 2. Investment concepts, policies, and current composition and
9 administration of retirement systems investments;
- 10 3. Laws, bylaws, and administrative regulations pertaining to the
11 retirement systems and to fiduciaries; and
- 12 4. Actuarial and financial concepts pertaining to the retirement systems.

13 If a trustee fails to complete the orientation program within one (1) year from
14 the beginning of his or her first term on the board, the retirement systems shall
15 withhold payment of the per diem and travel expenses due to the board
16 member under this section and KRS 16.640 and 78.780 until the trustee has
17 completed the orientation program;

18 (b) Annual required training for board members on the administration, benefits,
19 financing, and investing of the retirement systems. If a trustee fails to
20 complete the annual required training during the calendar or fiscal year, the
21 retirement systems shall withhold payment of the per diem and travel
22 expenses due to the board member under this section and KRS 16.640 and
23 78.780 until the board member has met the annual training requirements; and

24 (c) The retirement systems shall incorporate by reference in an administrative
25 regulation, pursuant to KRS 13A.2251, the trustee education program.

26 (19) In order to improve public transparency regarding the administration of the systems,
27 the board of trustees shall adopt a best practices model by posting the following

1 information to the retirement systems' Web site and shall make available to the
2 public:

3 (a) Meeting notices and agendas for all meetings of the board. Notices and
4 agendas shall be posted to the retirement systems' Web site at least seventy-
5 two (72) hours in advance of the board or committee meetings, except in the
6 case of special or emergency meetings as provided by KRS 61.823;

7 (b) The Comprehensive Annual Financial Report with the information as follows:

- 8 1. A general overview and update on the retirement systems by the
9 executive director;
- 10 2. A listing of the board of trustees;
- 11 3. A listing of key staff;
- 12 4. An organizational chart;
- 13 5. Financial information, including a statement of plan net assets, a
14 statement of changes in plan net assets, an actuarial value of assets, a
15 schedule of investments, a statement of funded status and funding
16 progress, and other supporting data;
- 17 6. Investment information, including a general overview, a list of the
18 retirement system's professional consultants, a total return on retirement
19 systems investments over a historical period, an investment summary,
20 contracted investment management expenses, transaction commissions,
21 and a schedule of investments;
- 22 7. The annual actuarial valuation report on the pension benefit and the
23 medical insurance benefit; and
- 24 8. A general statistical section, including information on contributions,
25 benefit payouts, and retirement systems' demographic data;

26 (c) All external audits;

27 (d) All board minutes or other materials that require adoption or ratification by

1 the board of trustees. The items listed in this paragraph shall be posted within
 2 seventy-two (72) hours of adoption or ratification of the board;

3 (e) All bylaws, policies, or procedures adopted or ratified by the board of trustees;

4 (f) The retirement systems' summary plan description;

5 (g) A document containing an unofficial copy of the statutes governing the
 6 systems administered by Kentucky Retirement Systems;

7 (h) A listing of the members of the board of trustees and membership on each
 8 committee established by the board, including any investment committees;

9 (i) All investment holdings and commissions for each fund administered by the
 10 board. The board shall update the list of holdings and commissions on a
 11 quarterly basis for fiscal years beginning on or after July 1, 2008;

12 (j) An update of investment returns, asset allocations, and the performance of the
 13 funds against benchmarks adopted by the board for each fund and for each
 14 asset class administered by the board. The update shall be posted on a
 15 quarterly basis for fiscal years beginning on or after July 1, 2008;~~and~~

16 (k) A searchable database of the systems' expenditures and a listing of each
 17 individual employed by the systems along with the employee's salary or
 18 wages. In lieu of posting the information required by this paragraph to the
 19 systems' Web site, the systems may provide the information through a Web
 20 site established by the executive branch to inform the public about executive
 21 branch agency expenditures and public employee salaries and wages. No
 22 provision of this paragraph shall require the systems to disclose confidential
 23 member information protected under KRS 61.661; and

24 (l) Information regarding the systems' financial and actuarial condition that is
 25 easily understood by the members, retired members, and the public.

26 (20) Notwithstanding the requirements of subsection (19) of this section, the retirement
 27 systems shall not be required to furnish information that is protected under KRS

1 61.661, exempt under KRS 61.878, or that, if disclosed, would compromise the
 2 retirement systems' ability to competitively invest in real estate or other asset
 3 classes, or to competitively negotiate vendor fees.

4 (21) Notwithstanding any other provision of KRS 16.505 to 16.652, 61.510 to 61.705,
 5 and 78.510 to 78.852 to the contrary, no funds of the systems administered by
 6 Kentucky Retirement Systems, including fees and commissions paid to an
 7 investment manager, private fund, or company issuing securities, who manages
 8 systems assets, shall be used to pay fees and commissions to unregulated placement
 9 agents. For purposes of this subsection, "unregulated placement agent" means an
 10 individual or firm who solicits investments on behalf of an investment manager,
 11 private fund, or company issuing securities, who is prohibited by federal securities
 12 laws and regulations promulgated thereunder from receiving compensation for
 13 soliciting a government agency.

14 ➔Section 66. KRS 61.650 is amended to read as follows:

15 (1) (a) The board shall be the trustee of the several funds created by KRS 16.510,
 16 61.515, 61.701, and 78.520, notwithstanding the provisions of any other
 17 statute to the contrary, and shall have exclusive power to invest and reinvest
 18 such funds in accordance with federal law.

19 (b) 1. The board shall establish an investment committee whose membership
 20 shall be composed of the following:

21 a. The two (2) trustees appointed by the Governor pursuant to KRS
 22 61.645(1)(e)~~5~~~~[2-]~~; and

23 b. Three (3) trustees appointed by the board chair.

24 2. The investment committee shall have authority to implement the
 25 investment policies adopted by the board and act on behalf of the board
 26 on all investment-related matters and to acquire, sell, safeguard,
 27 monitor, and manage the assets and securities of the several funds.

1 (c) A trustee, officer, employee, or other fiduciary shall discharge duties with
2 respect to the retirement system:

- 3 1. Solely in the interest of the members and beneficiaries;
- 4 2. For the exclusive purpose of providing benefits to members and
5 beneficiaries and paying reasonable expenses of administering the
6 system;
- 7 3. With the care, skill, and caution under the circumstances then prevailing
8 that a prudent person acting in a like capacity and familiar with those
9 matters would use in the conduct of an activity of like character and
10 purpose;
- 11 4. Impartially, taking into account any differing interests of members and
12 beneficiaries;
- 13 5. Incurring any costs that are appropriate and reasonable; and
- 14 6. In accordance with a good-faith interpretation of the law governing the
15 retirement system.

16 (2) All securities acquired under authority of KRS 61.510 to 61.705 shall be registered
17 in the name "Kentucky Retirement Systems" or nominee name as provided by KRS
18 286.3-225 and every change in registration, by reason of sale or assignment of such
19 securities, shall be accomplished pursuant to written policies adopted by the board.

20 (3) The board, in keeping with its responsibility as trustee and wherever consistent with
21 its fiduciary responsibilities, shall give priority to the investment of funds in
22 obligation calculated to improve the industrial development and enhance the
23 economic welfare of the Commonwealth.

24 (4) The contents of real estate appraisals, engineering or feasibility estimates, and
25 evaluations made by or for the system relative to the acquisition or disposition of
26 property, until such time as all of the property has been acquired or sold, shall be
27 excluded from the application of KRS 61.870 to 61.884 and shall be subject to

inspection only upon order of a court of competent jurisdiction.

- (5) Based upon market value at the time of purchase, the board shall limit the amount of assets managed by any one (1) active or passive investment manager to fifteen percent (15%) of the assets in the pension and insurance funds.

➔Section 67. KRS 61.680 is amended to read as follows:

- (1) Prior to August 1, 1982, every employee shall be deemed to consent and agree to any deduction from his compensation required by KRS 6.500 to 6.535, 16.505 to 16.652, 61.510 to 61.692, 78.510 to 78.852, and to all other provisions thereof. Thereafter, employee contributions shall be picked up by the employer pursuant to KRS 61.560(4).

- (2) (a) Notwithstanding any other provisions of KRS 6.500 to 6.535, 16.505 to 16.652, 61.510 to 61.692, 78.510 to 78.852 and 161.220 to 161.714, upon death, disability, or service retirement, a member's accounts under the Legislators' Retirement Plan, State Police Retirement System, Kentucky Employees Retirement System, County Employees Retirement System, and Teachers' Retirement System, except for service prohibited by KRS 161.623(2), shall be consolidated for the purpose of determining eligibility and amount of benefits, including those members who participate in the hybrid cash balance plan within the Kentucky Employees Retirement System, the County Employees Retirement System, and the State Police Retirement System on or after January 1, 2014. Vested service credit in a retirement system, other than the Teachers' Retirement System, sponsored by a Kentucky institution of higher education and accepted by the Kentucky Employees Retirement System or the County Employees Retirement System, may be used to determine eligibility for twenty-seven (27) year retirement for an employee who begins participating before September 1, 2008, but not the amount of benefits. The computation of benefits shall be based on the

1 applicable formula in each system and service credit in each system, but the
2 final compensation, excluding compensation earned under KRS 161.155(10),
3 shall be determined as if all service were in one (1) system. If the member has
4 prior service in more than one (1) system, he shall obtain at least twelve (12)
5 months' current service in each system in which he has prior service in order
6 to validate the prior service in each system for purposes of determining
7 consolidated benefits under this section. Upon the determination of benefits,
8 each system shall pay the applicable percentage of total benefits.

9 (b) The provisions of paragraph (a) of this subsection shall be waived if the
10 member notifies the system of his desire to maintain separate retirement
11 accounts in the State Police Retirement System, Kentucky Employees
12 Retirement System, or County Employees Retirement System.

13 (c) If the member has not contributed at least one (1) year in a system in which he
14 has prior service, his current service in the system shall be valid for purposes
15 of determining eligibility and in computation of benefits on a consolidated
16 basis.

17 (3) A member with service credit in the Kentucky Employees Retirement System, State
18 Police Retirement System, or the County Employees Retirement System who
19 becomes the holder of an office entitling him to membership in the Judicial
20 Retirement Plan or the Legislators' Retirement Plan, but who does not elect within
21 thirty (30) days after taking office in such service to participate in the plan, in
22 accordance with KRS 6.505 or 21.360, shall be deemed to have elected to retain
23 membership in the system in which he is a member, either the Kentucky Employees
24 Retirement System, State Police Retirement System, or the County Employees
25 Retirement System. In that event, the agency employing the member shall withhold
26 employee contributions, or picked-up employee contributions after August 2, 1982,
27 make employer contributions and remit these contributions to the system in which

1 the member retained his membership. Any person entitled to membership in the
2 Judicial Retirement Plan or the Legislators' Retirement Plan, who does not elect
3 within thirty (30) days after taking office to participate in the plan, in accordance
4 with KRS 6.505 or 21.360, and who at the time of taking office is not a contributing
5 member of, or does not have service credit in, any of the retirement systems
6 mentioned in this section, or the Teachers' Retirement System, shall participate in
7 the Kentucky Employees Retirement System. A member of one (1) of the state-
8 administered retirement plans who ceases to contribute to the plan as provided in
9 KRS 21.360 and who is employed in a nonelected position by an agency
10 participating in the Kentucky Retirement Systems or Kentucky Teachers'
11 Retirement System shall be deemed to have elected membership in the system in
12 which the employer of the nonelected position participates. A member of one (1) of
13 the state-administered retirement plans who ceases to contribute to the plan as
14 provided in KRS 21.360 and who is not employed in a nonelected position by an
15 agency participating in the Kentucky Retirement Systems shall be deemed to have
16 elected membership in the Kentucky Employees Retirement System.

17 (4) (a) Prior to July 1, 1976, a person entering the service of an employer
18 participating in the Kentucky Employees Retirement System or the County
19 Employees Retirement System with service credit in the Teachers' Retirement
20 System and who desires to retain membership in the Teachers' Retirement
21 System, and who is permitted by that system to continue, shall be exempt
22 from participating in the Kentucky Employees Retirement System or the
23 County Employees Retirement System.

24 (b) Any person who has elected to retain membership in the Teachers' Retirement
25 System as provided in paragraph (a) of this subsection may cancel his election
26 and participate in the system under which his position would normally
27 participate, if he elects to cancel his option prior to January 1, 1977.

- 1 (c) Any member of the General Assembly who upon election is a contributing
2 member of the Teachers' Retirement System and who does not elect within
3 thirty (30) days after taking office to participate in the Legislators' Retirement
4 Plan, in accordance with KRS 6.505, shall during his term of office participate
5 in the Kentucky Employees Retirement System unless an election to retain
6 membership in the Teachers' Retirement System is filed in writing within
7 ninety (90) days after his term of office begins. No contributions may be made
8 to the Teachers' Retirement System for the same period of service under the
9 Legislators' Retirement Plan or the Kentucky Employees Retirement System
10 as a member of the General Assembly, but contributions made to the Teachers'
11 Retirement System while a member of the General Assembly shall be
12 transferred to the Legislators' Retirement Plan, as provided for in KRS 6.535,
13 when the member elects to join the Legislators' Retirement Plan, and service
14 credit in the Legislators' Retirement Plan shall be granted as provided for in
15 KRS 6.505(5).
- 16 (5) Effective July 1, 1974, any member of the Kentucky Employees Retirement System
17 or County Employees Retirement System who is working in a position covered by
18 one (1) of these retirement systems and his employee contributions, service credit
19 and employer contributions made on his behalf are being transferred to the other
20 retirement system shall contribute to the system in which his employer participates,
21 or after August 1, 1982, the employer shall pick up the employee contributions, and
22 no further contributions or service credit shall be transferred to the system in which
23 he elected to retain membership, as subsection (2) of this section eliminates the
24 necessity of the transfers.
- 25 (6) Any member of the Kentucky Employees Retirement System or County Employees
26 Retirement System who is working in more than one (1) position covered by the
27 same retirement system, shall have his wages and contributions consolidated and his

1 retirement account administered as a single account. If part-time positions are
2 involved, an accumulation of all hours worked within the same retirement system
3 shall be used to determine eligibility under KRS 61.510(21).

4 (7) Notwithstanding the provisions of subsection (2) of this section, a person who does
5 not have the amount of service required for service retirement in the State Police
6 Retirement System, Kentucky Employees Retirement System, County Employees
7 Retirement System, Legislators' Retirement Plan, or Teachers' Retirement System,
8 but who is a member of one (1) of the systems or is a former member of one (1) or
9 more of the systems with valid service credit therein, shall become eligible for
10 service retirement benefits attributable to the amount of his actual service credit in
11 each system in which he has service credit when his combined service credit in all
12 the systems, plus any service credit he has in the Judicial Retirement Plan, is equal
13 to that required for service retirement in each respective system. The computation of
14 benefits shall be based on the applicable formula in each system and service credit
15 in each system, except that total service in all systems, unless prohibited by KRS
16 161.623(2), shall be used to determine the reduction for early retirement, if any.
17 Except as provided in KRS 21.360, the final compensation shall be determined by
18 using the creditable compensation reported to the State Police Retirement System,
19 Kentucky Employees Retirement System, County Employees Retirement System,
20 Legislators' Retirement Plan, or Teachers' Retirement System and only as much of
21 the compensation earned in the Judicial Retirement Plan as is needed to satisfy the
22 final compensation requirement applicable in the respective retirement systems.

23 (8) Each retirement system from which the member retires shall pay a retirement
24 allowance upon receipt of required forms and documents, except that no retirement
25 system shall pay a retirement allowance or annuity until all forms and documents
26 are filed at all retirement systems in compliance with each system's requirements.

27 ➔Section 68. KRS 61.690 is amended to read as follows:

- 1 (1) Except as otherwise provided by this section and KRS 61.705(4), all retirement
2 allowances and other benefits accrued or accruing to any person under the
3 provisions of KRS 61.510 to 61.705, 16.505 to 16.652, and 78.510 to 78.852, and
4 the accumulated account balance~~contributions~~ and cash securities in the funds
5 created under KRS 61.510 to 61.705, 16.505 to 16.652, and 78.510 to 78.852, are
6 hereby exempt from any state, county, or municipal tax, and shall not be subject to
7 execution, attachment, garnishment, or any other process, and shall not be assigned.
- 8 (2) Notwithstanding the provisions of subsection (1) of this section, retirement benefits
9 accrued or accruing to any person under the provisions of KRS 61.510 to 61.705,
10 16.505 to 16.652, and 78.510 to 78.852 on or after January 1, 1998, shall be subject
11 to the tax imposed by KRS 141.020, to the extent provided in KRS 141.010 and
12 141.0215.
- 13 (3) Qualified domestic relations orders issued by a court or administrative agency shall
14 be honored by the retirement system if:
- 15 (a) The benefits payable pursuant to the order meet the requirements of a
16 qualified domestic relations order as provided by 26 U.S.C. sec. 414(p). The
17 retirement system shall follow applicable provisions of 26 U.S.C. sec. 414(p)
18 in administering qualified domestic relations orders;
- 19 (b) The order meets the requirements established by the retirement system and by
20 subsections (3) to (11) of this section. The board of trustees of the retirement
21 system shall establish the requirements, procedures, and forms necessary for
22 the administration of qualified domestic relations orders by promulgation of
23 administrative regulations in accordance with KRS Chapter 13A; and
- 24 (c) The order is on the form established by the retirement system pursuant to the
25 retirement system's authority provided under paragraph (3)(b) of this
26 subsection.
- 27 (4) A qualified domestic relations order shall not:

- 1 (a) Require the retirement system to take any action not authorized under state or
2 federal law;
 - 3 (b) Require the retirement system to provide any benefit, allowance, or other
4 payment not authorized under state or federal law;
 - 5 (c) Grant or be construed to grant the alternate payee any separate right, title, or
6 interest in or to any retirement benefit other than to receive payments from the
7 participant's account in accordance with the administrative regulations
8 promulgated by the retirement system and as provided by subsections (3) to
9 (11) of this section; or
 - 10 (d) Grant any separate interest to any person other than the participant.
- 11 (5) Any qualified domestic relations order submitted to the retirement system shall
12 specify the dollar amount or percentage amount of the participant's benefit to be
13 paid to the alternate payee. In calculating the amount to be paid to the alternate
14 payee, the court or administrative agency that is responsible for issuing the order
15 shall follow the requirements set forth in the administrative regulations promulgated
16 by the board of trustees. Notwithstanding any other statute to the contrary, the board
17 shall not be required to honor a qualified domestic relations order that does not
18 follow the requirements set forth in the administrative regulations promulgated by
19 the board of trustees.
- 20 (6) If the qualified domestic relations order meets the requirements established by the
21 system and by subsections (3) to (11) of this section, payments to the alternate
22 payee shall begin under the following conditions:
- 23 (a) If the participant is retired and is receiving a monthly retirement
24 allowance~~[benefit]~~, the month following the date the retirement system
25 receives a qualified domestic relations order that complies with the
26 administrative regulations promulgated by the retirement system and
27 subsections (3) to (11) of this section; or

1 (b) If the participant is not retired, the month of the participant's effective
 2 retirement date in which the first retirement allowance is payable to the
 3 participant or the month in which the participant receives a refund of ***his or***
 4 ***her accumulated account balance***~~[contributions]~~ as provided by KRS 61.625.

5 (7) An alternate payee's benefits and rights under a qualified domestic relations order
 6 shall terminate upon the earlier of:

7 (a) The death of the participant;

8 (b) The death of the alternate payee; or

9 (c) The termination of the participant's benefits under any of the provisions of
 10 KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852.

11 (8) An alternate payee shall not receive a monthly payment under a qualified domestic
 12 relations order if the participant is not receiving a monthly retirement allowance.

13 (9) The cost of living adjustment provided to the participant pursuant to KRS 61.691
 14 shall be divided between the participant and alternate payee in a qualified domestic
 15 relations order as follows:

16 (a) If the order specifies the alternate payee is to receive a percentage of the
 17 participant's benefit, then the cost of living adjustment shall be divided
 18 between the participant and the alternate payee based upon the percentage of
 19 the total benefit each is receiving upon the participant's retirement or upon the
 20 date the order is approved by the retirement system, whichever is later; or

21 (b) If the order specifies that the alternate payee is to receive a set dollar amount
 22 of the participant's benefit, then the order shall specify that:

23 1. The cost of living adjustment shall be divided between the participant
 24 and the alternate payee based upon the percentage of the total benefit
 25 each is receiving upon the participant's retirement or upon the date the
 26 order is approved by the retirement system, whichever is later; or

27 2. The alternate payee shall receive no cost of living adjustment.

1 If the order does not specify the division of the cost of living adjustment as
2 required by this paragraph, then no cost of living adjustment shall be payable
3 to the alternate payee. If no cost of living adjustment is provided to the
4 alternate payee, then the participant shall receive the full cost of living
5 adjustment he or she would have received if the order had not been applied to
6 the participant's account.

7 (10) Except in cases involving child support payments, the retirement system may charge
8 reasonable and necessary fees and expenses to the recipient and the alternate payee
9 of a qualified domestic relations order for the administration of the qualified
10 domestic relations order by the retirement system. All fees and expenses shall be
11 established by administrative regulations promulgated by the board of trustees of
12 the retirement system. The qualified domestic relations order shall specify whether
13 the fees and expenses provided by this subsection shall be paid:

- 14 (a) Solely by the participant;
15 (b) Solely by the alternate payee; or
16 (c) Equally shared by the participant and alternate payee.

17 (11) The retirement system shall honor a qualified domestic relations order issued prior
18 to July 15, 2010, if:

- 19 (a) The order was on file and approved by the retirement system prior to July 15,
20 2010. All benefits, including cost of living adjustments payable to the
21 alternate payee, for orders that meet the requirements of this paragraph shall
22 not be eliminated or reduced as a result of the provisions of subsections (3) to
23 (10) of this section and KRS 61.510(27) and 78.510(26); or
24 (b) The order or an amended version of the order meets the requirements
25 established by this section and the administrative regulations promulgated by
26 the retirement system. The order shall not apply to benefit payments issued by
27 the retirement system prior to the date the order was approved by the

1 retirement system.

2 ➔Section 69. KRS 61.691 is amended to read as follows:

3 (1) Effective August 1, 1996, to July 1, 2008, a recipient of a retirement allowance
4 under KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852 shall have his
5 retirement allowance increased on July 1 of each year by the percentage increase in
6 the annual average of the consumer price index for all urban consumers for the most
7 recent calendar year as published by the federal Bureau of Labor Statistics, not to
8 exceed five percent (5%). In determining the annual employer contribution rate,
9 only the cost of increases granted as of the most recent valuation date shall be
10 recognized. The benefits of this subsection as provided on August 1, 1996, to July
11 1, 2008, shall not be considered as benefits protected by the inviolable contract
12 provisions of KRS 16.652, 61.692, and 78.852. The General Assembly reserves the
13 right to suspend or reduce the benefits conferred in this subsection if in their
14 judgment the welfare of the Commonwealth so demands.

15 (2) (a) Effective July 1, 2009, and on July 1 of each year thereafter, a recipient of a
16 retirement allowance under KRS 16.505 to 16.652, 61.510 to 61.705, and
17 78.510 to 78.852 shall have his or her retirement allowance increased by one
18 and one-half percent (1.5%), ~~if:~~~~provided~~

19 1. The funding level of the system is greater than one hundred percent
20 (100%) and subsequent legislation authorizes the use of any surplus
21 actuarial assets to provide an increase in retirement allowances
22 described by this subsection for the system which has the surplus
23 actuarial assets; or

24 2. The General Assembly appropriates sufficient funds or directs
25 payment of funds to fully prefund the increase described by this
26 subsection in the year the increase is provided.

27 (b) The board of trustees of the Kentucky Retirement Systems shall, at least

thirty (30) days prior to the beginning of regular sessions of the General Assembly held in even-numbered years, advise the General Assembly of the following:

1. Which systems have a funding level greater than one hundred percent (100%) and can support an increase in recipients' retirement allowances as provided by paragraph (a) of this subsection over the next budget biennium without reducing the funding level of the system below one hundred percent (100%); and

2. If no surplus actuarial assets are available, the level of funds needed to fully prefund an increase for system recipients over the next budget biennium if a one and one-half percent (1.5%) increase is provided annually over the biennium.

(c) For purposes of this subsection, "funding level" means the actuarial value of assets divided by the actuarially accrued liability expressed as a percentage that is determined and reported by the system's actuary in the system's actuarial valuation.

(d) The full increase described by this subsection shall only be provided if the
 recipient has been receiving a benefit for at least twelve (12) months prior to the effective date of the increase. If the recipient has been receiving a benefit for less than twelve (12) months prior to the effective date of the increase provided by this subsection, the increase shall be reduced on a pro rata basis for each month the recipient has not been receiving benefits in the twelve (12) months preceding the effective date of the increase.

(e) In determining the annual employer contribution rate, only the cost of increases granted as of the most recent valuation date shall be recognized.

(f) The benefits of this subsection as provided on July 1, 2009, and thereafter shall not be considered as benefits protected by the inviolable contract

1 provisions of KRS 16.652, 61.692, and 78.852. The General Assembly
 2 reserves the right to suspend or reduce the benefits conferred in this
 3 subsection if, in its judgment, the welfare of the Commonwealth so demands.

4 (3) A reemployed retired member whose payments are suspended as provided under
 5 KRS 61.637 shall be eligible for an increase in his suspended retirement allowance
 6 as provided under this section, computed as if he were receiving the retirement
 7 allowance at the time the increase under this section is effective.

8 (4) In addition to the increase to a recipient's retirement allowance as provided by
 9 subsection (2) of this section, The General Assembly may, by subsequent
 10 legislation, provide supplemental increases to a recipient's retirement allowance to
 11 help adjust for actual changes in the recipient's cost of living if the General
 12 Assembly appropriates sufficient funds to fully prefund the benefit in the year the
 13 increase is provided.

14 ➔Section 70. KRS 61.692 is amended to read as follows:

15 **(1) For members who begin participating in the Kentucky Employees Retirement**
 16 **System prior to January 1, 2014,** it is hereby declared that in consideration of the
 17 contributions by the members and in further consideration of benefits received by
 18 the state from the member's employment, KRS 61.510 to 61.705 shall, except as
 19 provided in KRS 6.696 effective September 16, 1993, constitute an inviolable
 20 contract of the Commonwealth, and the benefits provided therein shall, except as
 21 provided in KRS 6.696, not be subject to reduction or impairment by alteration,
 22 amendment, or repeal.

23 **(2) (a) For members who begin participating in the Kentucky Employees**
 24 **Retirement System on or after January 1, 2014, the General Assembly**
 25 **reserves the right to amend, suspend, or reduce the benefits and rights**
 26 **provided under KRS 61.510 to 61.705 if, in its judgment, the welfare of the**
 27 **Commonwealth so demands, except that the amount of benefits the member**

has accrued at the time of amendment, suspension, or reduction shall not be affected.

(b) For purposes of this subsection, the amount of benefits the member has accrued at the time of amendment, suspension, or reduction shall be limited to the accumulated account balance the member has accrued at the time of amendment, suspension, or reduction.

(c) The provisions of this subsection shall not be construed to limit the General Assembly's authority to change any other benefit or right specified by KRS 61.510 to 61.705, except the benefits specified by paragraph (b) of this subsection, for members who begin participating in the Kentucky Employees Retirement System on or after January 1, 2014.

(3) The provisions of this section shall not be construed to limit the General Assembly's authority to amend, reduce, or suspend the benefits and rights of members of the Kentucky Employees Retirement System as provided by KRS 61.510 to 61.705 that the General Assembly had the authority to amend, reduce, or suspend, prior to the effective date of this Act.

➔ Section 71. KRS 61.702 is amended to read as follows:

- (1) (a) I. The board of trustees of Kentucky Retirement Systems shall arrange by appropriate contract or on a self-insured basis to provide a group hospital and medical insurance plan for present and future recipients of a retirement allowance from the Kentucky Employees Retirement System, County Employees Retirement System, and State Police Retirement System, except as provided in subsection (8) of this section. The board shall also arrange to provide health care coverage through an insurer licensed pursuant to Subtitle 38 of KRS Chapter 304 and offering a managed care plan as defined in KRS 304.17A-500, as an alternative to group hospital and medical insurance for any person eligible for hospital

and medical benefits under this section.

2. Any person who chooses coverage under a hospital and medical insurance plan~~[managed-care]~~ plan shall pay, by payroll deduction from the retirement allowance or by another method, the difference in premium between the cost of the hospital and medical insurance~~[managed-care]~~ plan coverage and the benefits to which he would be entitled under this section.

3. For purposes of this section, "hospital and medical insurance plan" may include, at the board's discretion, any one (1) or more of the following:~~[means]~~

a. Any hospital and medical expense policy or certificate, provider-sponsored integrated health delivery network, self-insured medical plan, health maintenance organization contract, or other health benefit plan~~[-]~~;

b. Any health savings account as permitted by 26 U.S.C. sec. 223 or health reimbursement arrangement or a similar account as may be permitted by 26 U.S.C. sec. 105 or 106. Such arrangement or account, in the board's discretion, may reimburse any medical expense permissible under 26 U.S.C. sec. 213; or

c. A medical insurance reimbursement program established by the board through the promulgation of administrative regulation under which members purchase individual health insurance coverage through a health insurance exchange established under 42 U.S.C. sec. 18031 or 42 U.S.C. sec. 18041.

(b) The board may authorize present and future recipients of a retirement allowance from any of the three (3) retirement systems to be included in the state employees' group for hospital and medical insurance and shall provide

1 benefits for recipients equal to those provided to state employees having the
2 same Medicare hospital and medical insurance eligibility status, except as
3 provided in subsection (8) of this section. Notwithstanding the provisions of
4 any other statute, recipients shall be included in the same class as current state
5 employees in determining medical insurance policies and premiums.

6 (c) For recipients of a retirement allowance who are not eligible for the same
7 level of hospital and medical benefits as recipients living in Kentucky having
8 the same Medicare hospital and medical insurance eligibility status, the board
9 shall provide a medical insurance reimbursement plan as described in
10 subsection (7) of this section.

11 (d) Notwithstanding anything in KRS Chapter 61 to the contrary, the board of
12 trustees, in its discretion, may take necessary steps to ensure compliance with
13 42 U.S.C. secs. 300bb-1 et seq., including but not limited to receiving
14 contributions and premiums from, and providing benefits pursuant to this
15 section to, persons entitled to continuation coverage under 42 U.S.C. secs.
16 300bb-1 et seq., regardless of whether such persons are recipients of a
17 retirement allowance.

18 (2) (a) Each employer participating in the State Police Retirement System as
19 provided for in KRS 16.505 to 16.652, each employer participating in the
20 County Employees Retirement System as provided in KRS 78.510 to 78.852,
21 and each employer participating in the Kentucky Employees Retirement
22 System as provided for in KRS 61.510 to 61.705 shall contribute to the
23 Kentucky Retirement Systems insurance trust fund the amount necessary to
24 provide hospital and medical insurance as provided for under this section.
25 Such employer contribution rate shall be developed by appropriate actuarial
26 method as a part of the determination of each respective employer
27 contribution rate to each respective retirement system determined under KRS

1 61.565.

- 2 (b) 1. Each employer described in paragraph (a) of this subsection shall deduct
3 from the creditable compensation of each member having a membership
4 date on or after September 1, 2008, an amount equal to one percent (1%)
5 of the member's creditable compensation. The deducted amounts shall
6 be credited to accounts established pursuant to 26 U.S.C. sec. 401(h),
7 within the funds established in KRS 16.510, 61.515, and 78.520.
- 8 2. The employer shall file the contributions as provided by subparagraph 1.
9 of this paragraph at the retirement office in accordance with KRS 61.675
10 and 78.625. Any interest or penalties paid on any delinquent
11 contributions shall be credited to accounts established pursuant to 26
12 U.S.C. sec. 401(h), within the funds established in KRS 16.510, 61.515,
13 and 78.520. Notwithstanding any minimum compensation requirements
14 provided by law, the deductions provided by this paragraph shall be
15 made, and the compensation of the member shall be reduced
16 accordingly.
- 17 3. Each employer shall submit payroll reports, contributions lists, and other
18 data as may be required by administrative regulation promulgated by the
19 board of trustees pursuant to KRS Chapter 13A.
- 20 4. Every member shall be deemed to consent and agree to the deductions
21 made pursuant to this paragraph, and the payment of salary or
22 compensation less the deductions shall be a full and complete discharge
23 of all claims for services rendered by the person during the period
24 covered by the payment, except as to any benefits provided by KRS
25 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852. No member
26 may elect whether to participate in, or choose the contribution amount to
27 accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds

established in KRS 16.510, 61.515, and 78.520. The member shall have no option to receive the contribution required by this paragraph directly instead of having the contribution paid to accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515, and 78.520. No member may receive a rebate or refund of contributions. If a member establishes a membership date prior to September 1, 2008, pursuant to KRS 61.552(1) or 61.552(23), then this paragraph shall not apply to the member and all contributions previously deducted in accordance with this paragraph shall be refunded to the member without interest. The contribution made pursuant to this paragraph shall not act as a reduction or offset to any other contribution required of a member or recipient under KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852.

5. The board of trustees, at its discretion, may direct that the contributions required by this paragraph be accounted for within accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515, and 78.520 through the use of separate accounts.

(3) (a) The premium required to provide hospital and medical benefits under this section shall be paid:

1. Wholly or partly from funds contributed by the recipient of a retirement allowance, by payroll deduction, or otherwise;
2. Wholly or partly from funds contributed by the Kentucky Retirement Systems insurance trust fund;
3. Wholly or partly from funds contributed to accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515, and 78.520;
4. Wholly or partly from funds contributed by another state-administered

1 retirement system under a reciprocal arrangement, except that any
2 portion of the premium paid from the Kentucky Retirement Systems
3 insurance trust fund or accounts established pursuant to 26 U.S.C. sec.
4 401(h) within the funds established in KRS 16.510, 61.515, and 78.520
5 under a reciprocal agreement shall not exceed the amount that would be
6 payable under this section if all the member's service were in one (1) of
7 the systems administered by the Kentucky Retirement Systems;

8 5. Partly from subparagraphs 1. to 4. of this paragraph, except that any
9 premium for hospital and medical insurance over the amount contributed
10 by the Kentucky Retirement Systems insurance trust fund; accounts
11 established pursuant to 26 U.S.C. sec. 401(h) within the funds
12 established in KRS 16.510, 61.515, and 78.520; or another state-
13 administered retirement system under a reciprocal agreement shall be
14 paid by the recipient by an automatic electronic transfer of funds. If the
15 board provides for cross-referencing of insurance premiums, the
16 employer's contribution for the working member or spouse shall be
17 applied toward the premium, and the Kentucky Retirement Systems
18 insurance trust fund or accounts established pursuant to 26 U.S.C. sec.
19 401(h) within the funds established in KRS 16.510, 61.515, and 78.520
20 shall pay the balance, not to exceed the monthly contribution; or

21 6. In full from the Kentucky Retirement Systems insurance trust fund or
22 accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds
23 established in KRS 16.510, 61.515, and 78.520 for all recipients of a
24 retirement allowance from any of the three (3) retirement systems where
25 such recipient is a retired former member of one (1) or more of the three
26 (3) retirement systems (not a beneficiary or dependent child receiving
27 benefits) and had two hundred and forty (240) months or more of service

1 upon retirement. Should such recipient have less than two hundred forty
2 (240) months of service but have at least one hundred eighty (180)
3 months of service, seventy-five percent (75%) of such premium shall be
4 paid from the insurance trust fund or accounts established pursuant to 26
5 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515,
6 and 78.520, provided such recipient agrees to pay the remaining twenty-
7 five percent (25%) by payroll deduction from his retirement allowance
8 or by another method. Should such recipient have less than one hundred
9 eighty (180) months of service but have at least one hundred twenty
10 (120) months of service, fifty percent (50%) of such premium shall be
11 paid from the insurance trust fund or accounts established pursuant to 26
12 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515,
13 and 78.520, provided such recipient agrees to pay the remaining fifty
14 percent (50%) by payroll deduction from his retirement allowance or by
15 another method. Should such recipient have less than one hundred
16 twenty (120) months of service but have at least forty-eight (48) months
17 of service, twenty-five percent (25%) of such premium shall be paid
18 from the insurance trust fund or accounts established pursuant to 26
19 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515,
20 and 78.520, provided such recipient agrees to pay the remaining seventy-
21 five percent (75%) by payroll deduction from his retirement allowance
22 or by another method. Notwithstanding the foregoing provisions of this
23 subsection, an employee participating in one (1) of the retirement
24 systems administered by the Kentucky Retirement Systems who
25 becomes disabled in the line of duty as defined in KRS 16.505(19) or
26 61.621, shall have his premium paid in full as if he had two hundred
27 forty (240) months or more of service. Further, an employee

1 participating in one (1) of the retirement systems administered by the
2 Kentucky Retirement Systems who is killed in the line of duty as
3 defined in KRS 16.505(19) or 61.621, shall have the premium for the
4 beneficiary, if the beneficiary is the member's spouse, and for each
5 dependent child paid so long as they individually remain eligible for a
6 monthly retirement benefit. "Months of service" as used in this section
7 shall mean the total months of combined service used to determine
8 benefits under any or all of the three (3) retirement systems, except
9 service added to determine disability benefits shall not be counted as
10 "months of service." For current and former employees of the Council
11 on Postsecondary Education who were employed prior to January 1,
12 1993, and who earn at least fifteen (15) years of service credit in the
13 Kentucky Employees Retirement System, "months of service" shall also
14 include vested service in another retirement system other than the
15 Kentucky Teachers' Retirement System sponsored by the Council on
16 Postsecondary Education.

- 17 (b) 1. For a member electing insurance coverage through the Kentucky
18 Retirement Systems, "months of service" shall include, in addition to
19 service as described in paragraph (a) of this subsection, service credit in
20 one (1) of the other state-administered retirement plans.
- 21 2. Effective August 1, 1998, the Kentucky Retirement Systems shall
22 compute the member's combined service, including service credit in
23 another state-administered retirement plan, and calculate the portion of
24 the member's premium to be paid by the insurance trust fund accounts
25 established pursuant to 26 U.S.C. sec. 401(h) within the funds
26 established in KRS 16.510, 61.515, and 78.520, according to the criteria
27 established in paragraph (a) of this subsection. Each state-administered

1 retirement plan annually shall pay to the insurance trust fund the
 2 percentage of the system's cost of the retiree's monthly contribution for
 3 single coverage for hospital and medical insurance which shall be equal
 4 to the percentage of the member's number of months of service in the
 5 other state-administered retirement plan divided by his total combined
 6 service. The amounts paid by the other state-administered retirement
 7 plans and the insurance trust fund or accounts established pursuant to 26
 8 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515,
 9 and 78.520 shall not be more than one hundred percent (100%) of the
 10 monthly contribution adopted by the respective boards of trustees.

11 3. A member may not elect coverage for hospital and medical benefits
 12 under this subsection through more than one (1) of the state-
 13 administered retirement plans.

14 4. A state-administered retirement plan shall not pay any portion of a
 15 member's monthly contribution for medical insurance unless the member
 16 is a recipient or annuitant of the plan.

17 5. The premium paid by the Kentucky Retirement Systems insurance trust
 18 fund or accounts established pursuant to 26 U.S.C. sec. 401(h) within
 19 the funds established in KRS 16.510, 61.515, and 78.520 shall not
 20 exceed one hundred percent (100%) of the monthly contribution rate
 21 toward hospital and medical insurance coverage approved by the board
 22 of trustees of the Kentucky Retirement Systems.

23 (4) (a) Group rates under the hospital and medical insurance plan shall be made
 24 available to the spouse, each dependent child, and each disabled child,
 25 regardless of the disabled child's age, of a recipient who is a former member
 26 or the beneficiary, if the premium for the hospital and medical insurance for
 27 the spouse, each dependent child, and each disabled child, or beneficiary is

1 paid by payroll deduction from the retirement allowance or by another
2 method. For purposes of this subsection only, a child shall be considered
3 disabled if he has been determined to be eligible for federal Social Security
4 disability benefits or meets the dependent disability standard established by
5 the Department of Employee Insurance in the Personnel Cabinet.

6 (b) The other provisions of this section notwithstanding, the insurance trust fund
7 or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds
8 established in KRS 16.510, 61.515, and 78.520 shall pay a percentage of the
9 monthly contribution for the spouse and for each dependent child of a
10 recipient who was a member of the General Assembly and is receiving a
11 retirement allowance based on General Assembly service, of the Kentucky
12 Employees Retirement System and determined to be in a hazardous position,
13 of the County Employees Retirement System, and determined to be in a
14 hazardous position or of the State Police Retirement System. The percentage
15 of the monthly contribution paid for the spouse and each dependent child of a
16 recipient who was in a hazardous position shall be based solely on the
17 member's service with the State Police Retirement System or service in a
18 hazardous position using the formula in subsection (3)(a) of this section,
19 except that for any recipient of a retirement allowance from the County
20 Employees Retirement System who was contributing to the system on January
21 1, 1998, for service in a hazardous position, the percentage of the monthly
22 contribution shall be based on the total of hazardous service and any
23 nonhazardous service as a police or firefighter with the same agency, if that
24 agency was participating in the County Employees Retirement System but did
25 not offer hazardous duty coverage for its police and firefighters at the time of
26 initial participation.

27 (c) The insurance trust fund or accounts established pursuant to 26 U.S.C. sec.

1 401(h) within the funds established in KRS 16.510, KRS 61.515, and 78.520
2 shall continue the same level of coverage for a recipient who was a member of
3 the County Employees Retirement System after the age of sixty-five (65) as
4 before the age of sixty-five (65), if the recipient is not eligible for Medicare
5 coverage. If the insurance trust fund or accounts established pursuant to 26
6 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515, and
7 78.520 provides coverage for the spouse or each dependent child of a former
8 member of the County Employees Retirement System, the insurance trust fund
9 or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds
10 established in KRS 16.510, 61.515, and 78.520 shall continue the same level
11 of coverage for the spouse or each dependent child after the age of sixty-five
12 (65) as before the age of sixty-five (65), if the spouse or dependent child is not
13 eligible for Medicare coverage.

14 (5) After July 1, 1998, notwithstanding any other provision to the contrary, a member
15 who holds a judicial office but did not elect to participate in the Judicial Retirement
16 Plan and is participating instead in the Kentucky Employees Retirement System, the
17 County Employees Retirement System, or the State Police Retirement System, as
18 provided in KRS 61.680, and who has at least twenty (20) years of total service,
19 one-half (1/2) of which is in a judicial office, shall receive the same hospital and
20 medical insurance benefits, including paid benefits for spouse and dependents, as
21 provided to persons retiring under the provisions of KRS 21.427. The
22 Administrative Office of the Courts shall pay the cost of the medical insurance
23 benefits provided by this subsection.

24 (6) Premiums paid for hospital and medical insurance coverage procured under
25 authority of this section shall be exempt from any premium tax which might
26 otherwise be required under KRS Chapter 136. The payment of premiums by the
27 insurance trust fund or accounts established pursuant to 26 U.S.C. sec. 401(h)

1 within the funds established in KRS 16.510, 61.515, and 78.520 shall not constitute
2 taxable income to an insured recipient. No commission shall be paid for hospital
3 and medical insurance procured under authority of this section.

4 (7) The board shall promulgate an administrative regulation to establish a medical
5 insurance reimbursement plan to provide reimbursement for hospital and medical
6 insurance premiums of recipients of a retirement allowance who are not eligible for
7 the same level of hospital and medical benefits as recipients living in Kentucky and
8 having the same Medicare hospital and medical insurance eligibility status. An
9 eligible recipient shall file proof of payment for hospital and medical insurance at
10 the retirement office. Reimbursement to eligible recipients shall be made on a
11 quarterly basis. The recipient shall be eligible for reimbursement of substantiated
12 medical insurance premiums for an amount not to exceed the total monthly
13 premium determined under subsection (3) of this section. The plan shall not be
14 made available if all recipients are eligible for the same coverage as recipients
15 living in Kentucky.

16 (8) (a) 1. For employees having a membership date on or after July 1, 2003, and
17 before September 1, 2008, participation in the insurance benefits
18 provided under this section shall not be allowed until the employee has
19 earned at least one hundred twenty (120) months of service in the state-
20 administered retirement systems.

21 2. For an employee having a membership date on or after September 1,
22 2008, participation in the insurance benefits provided under this section
23 shall not be allowed until the employee has earned at least one hundred
24 eighty (180) months of service credited under KRS 16.543(1),
25 61.543(1), or 78.615(1) or another state-administered retirement system.

26 (b) An employee who meets the minimum service requirements as provided by
27 paragraph (a) of this subsection shall be eligible for benefits as follows:

- 1 1. For employees who are not in a hazardous position, a monthly insurance
2 contribution of ten dollars (\$10) for each year of service as a
3 participating employee.
- 4 2. For employees who are in a hazardous position or who participate in the
5 State Police Retirement System, a monthly insurance contribution of
6 fifteen dollars (\$15) for each year of service as a participating employee
7 in a hazardous position or as a participating member of the State Police
8 Retirement System. Upon the death of the retired member, the
9 beneficiary, if the beneficiary is the member's spouse, shall be entitled to
10 a monthly insurance contribution of ten dollars (\$10) for each year of
11 service the member attained as a participating employee in a hazardous
12 position or as a participating member of the State Police Retirement
13 System.
- 14 (c) 1. The minimum service requirement to participate in benefits as provided
15 by paragraph (a) of this subsection shall be waived for a member who is
16 disabled or killed in the line of duty as defined in KRS 16.505(19), and
17 the member or his spouse and eligible dependents shall be entitled to the
18 benefits payable under this subsection as though the member had twenty
19 (20) years of service in a hazardous position.
- 20 2. The minimum service required to participate in benefits as provided by
21 paragraph (a) of this subsection shall be waived for a member who is
22 disabled in the line of duty as defined in KRS 61.621, and the member
23 shall be entitled to the benefits payable under this subsection as though
24 the member has twenty (20) years of service in a nonhazardous position.
- 25 3. The minimum service required to participate in benefits as provided by
26 paragraph (a) of this subsection shall be waived for a member who is
27 killed in the line of duty as described in KRS 61.621, and the member's

1 spouse and eligible dependents shall be entitled to the benefits payable
 2 under this subsection as though the member has twenty (20) years of
 3 service in a hazardous position.

4 (d) The monthly insurance contribution amount shall be increased July 1 of each
 5 year by one and one-half percent (1.5%). The increase shall be cumulative and
 6 shall continue to accrue after the member's retirement for as long as a monthly
 7 insurance contribution is payable to the retired member or beneficiary.

8 (e) The benefits of this subsection provided to a member whose participation
 9 begins on or after July 1, 2003, shall not be considered as benefits protected
 10 by the inviolable contract provisions of KRS 61.692, 16.652, and 78.852. The
 11 General Assembly reserves the right to suspend or reduce the benefits
 12 conferred in this subsection if in its judgment the welfare of the
 13 Commonwealth so demands.

14 (f) An employee whose membership date is on or after September 1, 2008, who
 15 retires and is reemployed in a regular full-time position required to participate
 16 in one (1) of the systems administered by Kentucky Retirement Systems shall
 17 not be eligible for health insurance coverage or benefits provided by this
 18 section and shall take coverage with his or her employing agency during the
 19 period of reemployment in a regular full-time position.

20 ➔Section 72. KRS 78.510 is amended to read as follows:

21 As used in KRS 78.510 to 78.852, unless the context otherwise requires:

- 22 (1) "System" means the County Employees Retirement System;
- 23 (2) "Board" means the board of trustees of the system as provided in KRS 78.780;
- 24 (3) "County" means any county, or nonprofit organization created and governed by a
 25 county, counties, or elected county officers, sheriff and his employees, county clerk
 26 and his employees, circuit clerk and his deputies, former circuit clerks or former
 27 circuit clerk deputies, or political subdivision or instrumentality, including school

1 boards, charter county government, or urban-county government participating in the
2 system by order appropriate to its governmental structure, as provided in KRS
3 78.530, and if the board is willing to accept the agency, organization, or
4 corporation, the board being hereby granted the authority to determine the eligibility
5 of the agency to participate;

6 (4) "School board" means any board of education participating in the system by order
7 appropriate to its governmental structure, as provided in KRS 78.530, and if the
8 board is willing to accept the agency or corporation, the board being hereby granted
9 the authority to determine the eligibility of the agency to participate;

10 (5) "Examiner" means the medical examiners as provided in KRS 61.665;

11 (6) "Employee" means every regular full-time appointed or elective officer or employee
12 of a participating county and the coroner of a participating county, whether or not he
13 qualifies as a regular full-time officer. The term shall not include persons engaged
14 as independent contractors, seasonal, emergency, temporary, and part-time workers.
15 In case of any doubt, the board shall determine if a person is an employee within the
16 meaning of KRS 78.510 to 78.852;

17 (7) "Employer" means a county, as defined in subsection (3) of this section, the elected
18 officials of a county, or any authority of the county having the power to appoint or
19 elect an employee to office or employment in the county;

20 (8) "Member" means any employee who is included in the membership of the system or
21 any former employee whose membership has not been terminated under KRS
22 61.535;

23 (9) "Service" means the total of current service and prior service as defined in this
24 section;

25 (10) "Current service" means the number of years and months of employment as an
26 employee, on and after July 1, 1958, for which creditable compensation is paid and
27 employee contributions deducted, except as otherwise provided;

1 (11) "Prior service" means the number of years and completed months, expressed as a
 2 fraction of a year, of employment as an employee, prior to July 1, 1958, for which
 3 creditable compensation was paid. An employee shall be credited with one (1)
 4 month of prior service only in those months he received compensation for at least
 5 one hundred (100) hours of work. Twelve (12) months of current service in the
 6 system shall be required to validate prior service;

7 (12) "Accumulated contributions" means the sum of all amounts deducted from the
 8 compensation of a member and credited to his individual account in the members' [
 9 ~~contribution~~] account, including employee contributions picked up after August 1,
 10 1982, pursuant to KRS 78.610(4), together with interest credited on the amounts,
 11 and any other amounts the member shall have contributed thereto, including interest
 12 credited thereon. For members who begin participating on or after September 1,
 13 2008, "accumulated contributions" shall not include employee contributions that are
 14 deposited into accounts established pursuant to 26 U.S.C. sec. 401(h) within the
 15 funds established in KRS 16.510, 61.515, and 78.520, as prescribed by KRS
 16 61.702(2)(b);

17 (13) "Creditable compensation" means all salary, wages, and fees, including payments
 18 for compensatory time, paid to the employee as a result of services performed for
 19 the employer or for time during which the member is on paid leave, which are
 20 includable on the member's federal form W-2 wage and tax statement under the
 21 heading "wages, tips, other compensation", including employee contributions
 22 picked up after August 1, 1982, pursuant to KRS 78.610(4). A lump-sum bonus,
 23 severance pay, or employer-provided payment for purchase of service credit shall be
 24 included as creditable compensation but shall be averaged over the employee's
 25 service with the system in which it is recorded if it is equal to or greater than one
 26 thousand dollars (\$1,000). If compensation includes maintenance and other
 27 perquisites, the board shall fix the value of that part of the compensation not paid in

1 money. Living allowances, expense reimbursements, lump-sum payments for
2 accrued vacation leave, sick leave except as provided in KRS 78.616(5), and other
3 items determined by the board shall be excluded. Creditable compensation shall
4 also include amounts that are not includable in the member's gross income by virtue
5 of the member having taken a voluntary salary reduction provided for under
6 applicable provisions of the Internal Revenue Code. Creditable compensation shall
7 also include elective amounts for qualified transportation fringes paid or made
8 available on or after January 1, 2001, for calendar years on or after January 1, 2001,
9 that are not includable in the gross income of the employee by reason of 26 U.S.C.
10 sec. 132(f)(4). For employees who begin participating on or after September 1,
11 2008, creditable compensation shall not include payments for compensatory time.
12 Creditable compensation shall not include training incentive payments for city
13 officers paid as set out in KRS 64.5277 to 64.5279;

14 (14) "Final compensation" means:

- 15 (a) For a member who begins participating before September 1, 2008, who is not
16 employed in a hazardous position, as provided in KRS 61.592, the creditable
17 compensation of the member during the five (5) fiscal years he was paid at the
18 highest average monthly rate divided by the number of months of service
19 credit during that five (5) year period multiplied by twelve (12). The five (5)
20 years may be fractional and need not be consecutive. If the number of months
21 of service credit during the five (5) year period is less than forty-eight (48),
22 one (1) or more additional fiscal years shall be used;
- 23 (b) For a member who is not employed in a hazardous position, as provided in
24 KRS 61.592, whose effective retirement date is between August 1, 2001, and
25 January 1, 2009, and whose total service credit is at least twenty-seven (27)
26 years and whose age and years of service total at least seventy-five (75), final
27 compensation means the creditable compensation of the member during the

1 three (3) fiscal years the member was paid at the highest average monthly rate
2 divided by the number of months of service credit during that three (3) year
3 period multiplied by twelve (12). The three (3) years may be fractional and
4 need not be consecutive. If the number of months of service credit during the
5 three (3) year period is less than twenty-four (24), one (1) or more additional
6 fiscal years shall be used. Notwithstanding the provision of KRS 61.565, the
7 funding for this paragraph shall be provided from existing funds of the
8 retirement allowance;

9 (c) For a member who begins participating before September 1, 2008, who is
10 employed in a hazardous position, as provided in KRS 61.592, the creditable
11 compensation of the member during the three (3) fiscal years he was paid at
12 the highest average monthly rate divided by the number of months of service
13 credit during that three (3) year period multiplied by twelve (12). The three (3)
14 years may be fractional and need not be consecutive. If the number of months
15 of service credit during the three (3) year period is less than twenty-four (24),
16 one (1) or more additional fiscal years shall be used;

17 (d) For a member who begins participating on or after September 1, 2008, but
18 prior to January 1, 2014, who is not employed in a hazardous position, as
19 provided in KRS 61.592, the creditable compensation of the member during
20 the five (5) complete fiscal years immediately preceding retirement divided by
21 five (5). Each fiscal year used to determine final compensation must contain
22 twelve (12) months of service credit. If the member does not have five (5)
23 complete fiscal years that each contain twelve (12) months of service credit,
24 then one (1) or more additional fiscal years shall be used; or

25 (e) For a member who begins participating on or after September 1, 2008, but
26 prior to January 1, 2014, who is employed in a hazardous position, as
27 provided in KRS 61.592, the creditable compensation of the member during

1 the three (3) complete fiscal years he was paid at the highest average monthly
2 rate divided by three (3). Each fiscal year used to determine final
3 compensation must contain twelve (12) months of service credit;

4 (15) "Final rate of pay" means the actual rate upon which earnings of an employee were
5 calculated during the twelve (12) month period immediately preceding the
6 member's effective retirement date, and shall include employee contributions picked
7 up after August 1, 1982, pursuant to KRS 78.610(4). The rate shall be certified to
8 the system by the employer and the following equivalents shall be used to convert
9 the rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour
10 workdays, one thousand nine hundred fifty (1,950) hours for seven and one-half
11 (7.5) hour workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve
12 (12) months, one (1) year;

13 (16) "Retirement allowance" means the retirement payments to which a member is
14 entitled;

15 (17) "Actuarial equivalent" means a benefit of equal value when computed upon the
16 basis of the actuarial tables adopted by the board. In cases of disability retirement,
17 the options authorized by KRS 61.635 shall be computed by adding ten (10) years
18 to the age of the member, unless the member has chosen the Social Security
19 adjustment option as provided for in KRS 61.635(8), in which case the member's
20 actual age shall be used. **For members who begin participating in the system prior**
21 **to January 1, 2014,** no disability retirement option shall be less than the same
22 option computed under early retirement;

23 (18) "Normal retirement date" means the sixty-fifth birthday of a member unless
24 otherwise provided in KRS 78.510 to 78.852;

25 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the
26 following June 30, which shall also be the plan year. The "fiscal year" shall be the
27 limitation year used to determine contribution and benefits limits as set out in 26

1 U.S.C. sec. 415;

2 (20) "Agency reporting official" means the person designated by the participating agency
3 who shall be responsible for forwarding all employer and employee contributions
4 and a record of the contributions to the system and for performing other
5 administrative duties pursuant to the provisions of KRS 78.510 to 78.852;

6 (21) "Regular full-time positions," as used in subsection (6) of this section, shall mean
7 all positions that average one hundred (100) or more hours per month, determined
8 by using the number of hours actually worked in a calendar or fiscal year, or eighty
9 (80) or more hours per month in the case of noncertified employees of school
10 boards, determined by using the number of hours actually worked in a calendar or
11 school year, unless otherwise specified, except:

12 (a) Seasonal positions, which although temporary in duration, are positions which
13 coincide in duration with a particular season or seasons of the year and that
14 may recur regularly from year to year, in which case the period of time shall
15 not exceed nine (9) months, except for employees of school boards, in which
16 case the period of time shall not exceed six (6) months;

17 (b) Emergency positions that are positions that do not exceed thirty (30) working
18 days and are nonrenewable;

19 (c) Temporary, also referred to as probationary, positions that are positions of
20 employment with a participating agency for a period of time not to exceed
21 twelve (12) months and not renewable; or

22 (d) Part-time positions that are positions that may be permanent in duration, but
23 that require less than a calendar or fiscal year average of one hundred (100)
24 hours of work per month, determined by using the number of months actually
25 worked within a calendar or fiscal year, in the performance of duty, except in
26 case of noncertified employees of school boards, the school term average shall
27 be eighty (80) hours of work per month, determined by using the number of

1 months actually worked in a calendar or school year, in the performance of
2 duty;

3 (22) "Alternate participation plan" means a method of participation in the system as
4 provided for by KRS 78.530(3);

5 (23) "Retired member" means any former member receiving a retirement allowance or
6 any former member who has on file at the retirement office the necessary
7 documents for retirement benefits and is no longer contributing to the system;

8 (24) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,
9 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of
10 pay. The rate shall be certified by the employer;

11 (25) "Beneficiary" means the person, persons, estate, trust, or trustee designated by the
12 member in accordance with KRS 61.542 or 61.705 to receive any available benefits
13 in the event of the member's death. As used in KRS 61.702, beneficiary shall not
14 mean an estate, trust, or trustee;

15 (26) "Recipient" means the retired member, the person or persons designated as
16 beneficiary by the member and drawing a retirement allowance as a result of the
17 member's death, or a dependent child drawing a retirement allowance. An alternate
18 payee of a qualified domestic relations order shall not be considered a recipient,
19 except for purposes of KRS 61.623;

20 (27) "Person" means a natural person;

21 (28) "School term or year" means the twelve (12) months from July 1 through the
22 following June 30;

23 (29) "Retirement office" means the Kentucky Retirement Systems office building in
24 Frankfort;

25 (30) "Delayed contribution payment" means an amount paid by an employee for current
26 service obtained under KRS 61.552. The amount shall be determined using the
27 same formula in KRS 61.5525, except the determination of the actuarial cost for

1 classified employees of a school board shall be based on their final compensation,
 2 and the payment shall not be picked up by the employer. A delayed contribution
 3 payment shall be deposited to the member's~~[-contribution]~~ account and considered
 4 as accumulated contributions of the individual member. In determining payments
 5 under this subsection, the formula found in this subsection shall prevail over the one
 6 found in KRS 212.434;

7 (31) "Participating" means an employee is currently earning service credit in the system
 8 as provided in KRS 78.615;

9 (32) "Month" means a calendar month;

10 (33) "Membership date" means the date upon which the member began participating in
 11 the system as provided in KRS 78.615;

12 (34) "Participant" means a member, as defined by subsection (8) of this section, or a
 13 retired member, as defined by subsection (23) of this section;

14 (35) "Qualified domestic relations order" means any judgment, decree, or order,
 15 including approval of a property settlement agreement, that:

16 (a) Is issued by a court or administrative agency; and

17 (b) Relates to the provision of child support, alimony payments, or marital
 18 property rights to an alternate payee;~~[-and]~~

19 (36) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
 20 participant, who is designated to be paid retirement benefits in a qualified domestic
 21 relations order;

22 **(37) "Accumulated employer credit" means the employer pay credit deposited to the**
 23 **member's account and interest credited on such amounts as provided by Sections**
 24 **8 and 9 of this Act; and**

25 **(38) "Accumulated account balance" means:**

26 **(a) For members who began participating in the system prior to January 1,**
 27 **2014, the member's accumulated contributions; or**

(b) For members who began participating in the system on or after January 1, 2014, in the hybrid cash balance plan as provided by Sections 8 and 9 of this Act, the combined sum of the member's accumulated contributions and the member's accumulated employer credit.

➔ Section 73. KRS 78.530 is amended to read as follows:

(1) (a) Each county and school board, as defined in KRS 78.510, will participate in the system by appropriate order authorizing such participation which has been entered and duly recorded in the records of the governing body of the county or school board. In cases where general purpose county government does not participate, but the sheriff and his employees or the county clerk and his employees do, the sheriff or the clerk shall retain the order in his office. The authority to issue and properly record such order of participation being hereby granted, permits such county to participate in the system. The effective date of such participation shall be fixed in the order.

(b) Notwithstanding any statute to the contrary, after April 9, 2002, the systems shall deny the request for participation of any agency which does not have an irrevocable contract with the state Personnel Cabinet for health insurance coverage under KRS 18A.225 to 18A.229 for its active employees, except that:

1. County governments entering the system between April 9, 2002, and July 1, 2003, under this section shall be excluded from this requirement; and
2. Agencies entering the system on or after April 9, 2002, which were established by a merger or an interlocal agreement to provide public services shall be excluded from this requirement if all agencies entering into the merger or interlocal agreement had an initial participation date with the system prior to April 9, 2002.

1 (2) Once a county or school board participates, it shall thereafter continue to
2 participate, except as provided in KRS 78.535.

3 (3) (a) Concurrent with the adoption of the appropriate resolution to participate in the
4 system, a county may elect the alternate participation plan which will require
5 the county to purchase on behalf of each employee electing coverage, at the
6 time the county elected to participate in the system as provided under KRS
7 78.540(2), current service credit for employment in regular full-time positions
8 between July 1, 1958, and the participation date of the county. Cities which
9 participate in the system pursuant to subsection (7) of this section, KRS
10 79.080, 90.400, 90.410, 95.520, 95.621, 95.761, 95.768, 95.852, or 96.180
11 shall be required to purchase on behalf of each employee electing coverage
12 only as much service credit as the employee has accumulated in the city-
13 administered plan, up to the participation date of the city. Accumulated
14 service shall include service for which an employee received a refund
15 pursuant to KRS 95.620 or 95.866, if such refund has been repaid. If the
16 employee has not yet repaid the refund, he may make payment to the system
17 by any method acceptable to the system, and the requirement of five (5) years
18 of continuous reemployment prior to repayment of refunds shall not apply.
19 Upon the employee's repayment, the city shall purchase the associated service
20 credit for the employee. Cost of such service credit over and above that which
21 would be funded within the existing employer contribution rate shall be
22 determined by the board's consulting actuary. The expense of such actuarial
23 service shall be paid by the county;

24 (b) The county shall establish a payment schedule subject to approval by the
25 board for payment of the cost of such service over and above that which
26 would be funded within the existing employer contribution rate. The
27 maximum period allowed in a payment schedule shall be thirty (30) years,

1 with interest at the rate actuarially assumed by the board. A shorter period is
2 desirable and the board may approve any payment schedule provided it is not
3 longer than a thirty (30) year period, except that cities which participate in the
4 system pursuant to subsection (7) of this section, KRS 79.080, 90.400, 90.410,
5 95.520, 95.621, 95.761, 95.768, 95.852, or 96.180 may, at their option, extend
6 the payment schedule to a maximum of thirty (30) years, may choose to make
7 level payments at the interest rate actuarially assumed by the board over the
8 life of the payment schedule chosen, and may retain employer contributions
9 and the earnings thereon attributable to employees electing coverage;

- 10 (c) A city entering the system under the alternate participation plan, may, by
11 ordinance, levy a special property tax to pay for current service credit
12 purchased for the period between July 1, 1958, and the participation date of
13 the city. The special tax shall be to pay, within a period of no more than
14 fifteen (15) years, for the cost of such service credit over that which would be
15 funded within the existing employer contribution rate, as determined by the
16 board's consulting actuary. The reason for levying the special tax and the
17 disposition of the proceeds shall be part of the ordinance levying the tax. The
18 special tax shall be rescinded when the unfunded prior service liability has
19 been amortized, and shall not be subject to the provisions of KRS 132.017 or
20 132.027. In addition, the city may maintain any tax, the proceeds of which had
21 been devoted to funding pension obligations under the locally administered
22 plan prior to participation in the system, for the purpose of funding current
23 service costs incurred after the date of participation. The city may increase the
24 tax to pay current service costs which exceed the local pension system costs to
25 which the tax had been devoted, but the city shall not collect from the tax
26 more revenues than are necessary to pay current service costs incurred after
27 the date of participation. The city may continue the tax so long as it

1 participates in the system, and the tax shall not be subject to the provisions of
2 KRS 132.017 or 132.027. The city shall not collect either tax authorized by
3 this paragraph if its participation has been terminated pursuant to KRS
4 78.535;

5 (d) The county may at a later date purchase current service credit from July 1,
6 1958, to the participation date of the county by alternate participation plan for
7 those employees who rejected membership in the system at the time the
8 county first participated. In addition, the employer shall pay the employer
9 contributions on the creditable compensation of the employees who later elect
10 membership from the participation date of the county to the date the member
11 elects participation. The employee shall pay the employee contributions on his
12 creditable compensation from the participation date of the county to the date
13 he elects membership plus interest at the current actuarial rate compounded
14 annually on the employee and employer contributions. Cost of the service
15 credit over and above that which would be funded within the existing
16 employer contribution rate shall be determined by the board's consulting
17 actuary. The expense of the actuarial service shall be paid by the county. The
18 county shall pay the cost of the service by lump sum or by adding it to the
19 existing payment schedule established under paragraph (b) of this subsection;

20 (e) A county which did not participate by alternate participation may, until July 1,
21 1991, purchase current service credit for those employees who rejected
22 membership in the system at the time the county first participated. The
23 employer shall pay the employer contributions on the creditable compensation
24 of the employees who later elect membership from the participation date of
25 the county to the date the member elects participation. The employee shall pay
26 the employee contributions on his creditable compensation from the
27 participation date of the county to the date he elects membership plus interest

1 at the current actuarial rate compounded annually on the employee and
2 employer contributions. The county shall pay the cost of the service credit by
3 lump sum or by establishing a payment schedule under paragraph (b) of this
4 subsection; and

5 (f) A county which participated in the system but did not elect the alternate
6 participation plan may at a later date elect the alternate participation plan. In
7 this case, the county shall purchase on behalf of each employee participating
8 in the system current service credit for employment in regular full-time
9 positions between July 1, 1958, or a later date selected by the county
10 government, and the participation date of the county. The county shall also
11 purchase, for employees who decide to participate when the county elects the
12 alternate participation plan, current service credit for employment in regular
13 full-time positions between July 1, 1958, or the later date selected by the
14 county government, and the participation date of the county. In addition, the
15 county shall pay the employer contributions on the creditable compensation of
16 the employees who later elect membership from the participation date of the
17 county to the date the member elects participation. The employee shall pay the
18 employee contributions on his creditable compensation from the participation
19 date of the county to the date he elects membership plus interest at the current
20 actuarial rate compounded annually on the employee and employer
21 contributions. Cost of the service credit over that which would be funded
22 within the existing employer contribution rate shall be determined by the
23 board's consulting actuary. The expense of the actuarial service shall be paid
24 by the county. The county shall pay the cost of the service by lump sum or by
25 a payment schedule established under paragraph (b) of this subsection.

26 **(g) Notwithstanding any other provision of the Kentucky Revised Statutes to the**
27 **contrary, this subsection shall not apply to members who begin**

participating in the system on or after January 1, 2014, and no county that elects to participate in the system on or after January 1, 2014, shall be eligible to participate under the alternate participation plan.

(4) Every school board not participating on June 21, 1974, shall enact a resolution of participation no later than July 1, 1976.

(5) The order of the governing body of a county, as provided for in subsection (1) of this section, may exclude from participation in the system hospitals and any other semi-independent agency. Each such excluded agency shall be identified in the order authorizing participation and such excluded agency may participate in the system as a separate agency.

(6) An agency whose participation in the County Employees Retirement System has been terminated by the board of trustees in accordance with KRS 78.535 may at a later date request participation in the retirement system by the adoption of an appropriate order as authorized by subsection (1) of this section. The board may accept the participation of such agency provided it is determined that such participation is in the best interest of the agency, the employees thereof and the County Employees Retirement System.

(7) (a) After August 1, 1988, except as permitted by KRS 65.156, no local government retirement system shall be created pursuant to KRS 70.580 to 70.598 and any local government retirement systems created pursuant to KRS 79.080, 90.400, 90.410, 95.768, and KRS Chapter 96 shall be closed to new members. New employees who would have been granted membership in such retirement systems shall instead be granted membership in the County Employees Retirement System. Employees who would have been granted membership in retirement systems created pursuant to KRS 95.768, or any other policemen or firefighters who would have been granted membership in retirement systems created pursuant to KRS 79.080, 90.400, or 90.410, or any

1 such policemen or firefighter members employed on or prior to August 1,
2 1988, who transfer to the County Employees Retirement System, shall be
3 certified by their employers as working in hazardous positions. Each city
4 participating in the County Employees Retirement System pursuant to this
5 subsection shall execute the appropriate order authorizing such participation,
6 shall select the alternate participation plan as described in subsection (3) of
7 this section, and shall pay for the actuarial services necessary to determine the
8 additional costs of alternate participation. Cities which closed their local
9 pension systems to new members and participated in the system prior to July
10 15, 1988, whose employees at the time of transition were given the option to
11 join the system shall not be required to offer said employees a second option
12 to join the system.

13 (b) Notwithstanding any statute to the contrary, after April 9, 2002, the systems
14 shall deny the request for participation of any agency which does not have an
15 irrevocable contract with the state Personnel Cabinet for health insurance
16 coverage under KRS 18A.225 to 18A.229 for its active employees, except that
17 agencies entering the system on or after April 9, 2002, which were established
18 by a merger or an interlocal agreement to provide public services shall be
19 excluded from this requirement if all agencies entering into the merger or
20 interlocal agreement had an initial participation date with the system prior to
21 April 9, 2002.

22 (8) Any city which closed a police and firefighter pension plan to new members
23 between January 1, 1988, and July 15, 1988, and participated in the system under
24 the alternate participation plan shall, if its police and firefighters were not covered
25 by Social Security, or any city which operates a pension under KRS 90.400 or
26 90.410, shall be required to certify that its police and firefighters are working in
27 hazardous positions, and shall offer its police and firefighters in service at the time

of entry a second option to participate under hazardous duty coverage if they were not offered hazardous duty coverage at the time of their first option. The provisions of subsection (3)(b) of this section notwithstanding, a city affected by this subsection may, at its option, extend its payment schedule to the County Employees Retirement System for alternate participation to thirty (30) years at the rate actuarially assumed by the board.

➔Section 74. KRS 78.540 is amended to read as follows:

Membership in the system shall consist of the following:

- (1) All persons who become employees of a participating county after the date the county first participates in the system, except a person who did not elect membership pursuant to KRS 61.545(3), and except that mayors and members of city legislative bodies may decline prior to their participation in the system and city managers or other appointed local government executives who participate in a retirement system, other than Social Security, may decline prior to their participation in the system;
- (2) (a) All persons who are employees of a county on the date the county first participates in the system, either in service or on authorized leave from service, and who elect within thirty (30) days next following the county's participation, or in the case of persons on authorized leave, within thirty (30) days of their return to active service, to become members and thereby agree to make contributions as provided in KRS 78.520 to 78.852;
- (b) All persons who are employees of a county who did not elect to participate within thirty (30) days of the date the county first participated in the system or within thirty (30) days of their return to active service and who subsequently elect to participate the first day of a month after the county's date of participation;
- (3) All persons who declined participation in subsection (1) of this section and who

later elect to participate. Persons who elect to participate under this subsection may purchase service credit for any prior years by paying a delayed contribution payment, provided the person began participating in the system prior to January 1, 2014. The service shall not be included in the member's total service for purposes of determining benefits under KRS 61.702; and

(4) All persons electing coverage in the system under KRS 78.530(3)(d).

(5) The provisions of subsections (1) and (2) of this section notwithstanding, cities which participate in the CERS and close existing local pension systems to new, or all members pursuant to the provisions of KRS 78.530, 95.520, 95.621, or 95.852 shall not be required to provide membership in the County Employees Retirement System to employees in any employee category not covered by a city pension system at the date of participation.

(6) Membership in the system shall not include those employees who are simultaneously participating in another state-administered defined benefit plan within Kentucky other than those administered by the Kentucky Retirement Systems, except for employees who have ceased to contribute to one (1) of the state-administered retirement plans as provided in KRS 21.360.

➔Section 75. KRS 78.545 is amended to read as follows:

The following matters shall be administered in the same manner subject to the same limitations and requirements as provided for the Kentucky Employees Retirement System as follows:

- (1) Cessation of membership, conditions, as provided for by KRS 61.535;
- (2) Statement of member and employer, as provided for by KRS 61.540;
- (3) Beneficiary to be designated by member, change, rights, as provided for by KRS 61.542;
- (4) Service credit determination, as provided for by KRS 61.545;
- (5) Cessation of membership, loss of benefits, as provided for by KRS 61.550;

- 1 (6) Service credit, Armed Forces, as provided for by KRS 61.555;
- 2 (7) Normal and early retirement eligibility requirements, as provided for by KRS
3 61.559;
- 4 (8) Retirement allowance increases as provided for by KRS 61.691;
- 5 (9) Retirement application procedure, effective retirement date, as provided for by KRS
6 61.590;
- 7 (10) Disability retirement, conditions, as provided for by KRS 61.600;
- 8 (11) Disability retirement, allowance, as provided for by KRS 61.605;
- 9 (12) Medical examination after disability retirement, as provided for by KRS 61.610;
- 10 (13) Disability retirement allowance, reduction, as provided for by KRS 61.615;
- 11 (14) Determination of retirement allowance, as provided for by KRS 61.595;
- 12 (15) Refund of contributions, conditions, as provided for by KRS 61.625;
- 13 (16) Refund of contributions, death after retirement, as provided for by KRS 61.630;
- 14 (17) Optional retirement plans, as provided for by KRS 61.635;
- 15 (18) Suspension of retirement payments on reemployment, reinstatement, as provided for
16 by KRS 61.637;
- 17 (19) Death before retirement, beneficiary's options, as provided for by KRS 61.640;
- 18 (20) Board of trustees, conflict of interest, as provided for by KRS 61.655;
- 19 (21) Custodian of funds, payments made, when, as provided for by KRS 61.660;
- 20 (22) Medical examiners and hearing procedures, as provided for by KRS 61.665;
- 21 (23) Actuarial bases, as provided for by KRS 61.670;
- 22 (24) Employer's administrative duties, as provided for by KRS 61.675;
- 23 (25) Correction of errors in records, as provided for by KRS 61.685;
- 24 (26) Exemptions of retirement allowances, and qualified domestic relations orders, as
25 provided for by KRS 61.690;
- 26 (27) Credit for service prior to membership date, as provided for by KRS 61.526;
- 27 (28) Creditable compensation of fee officers, as provided for by KRS 61.541;

- 1 (29) Members' account, confidential, as provided for by KRS 61.661;
- 2 (30) Retirement plan for employees determined to be in a hazardous position, as
3 provided for by KRS 61.592;
- 4 (31) Maximum disability benefit, as provided for by KRS 61.607;
- 5 (32) Consent of employees to deductions and reciprocal arrangement between systems,
6 as provided for by KRS 61.680;
- 7 (33) Employer contributions, as provided for by KRS 61.565;
- 8 (34) Recontribution and delayed contribution payments, purchase of service credit,
9 interest, and installment payments, as provided for by KRS 61.552;
- 10 (35) Hospital and medical insurance plan, as provided by KRS 61.702;
- 11 (36) Death benefit, as provided by KRS 61.705;
- 12 (37) Reinstated employee, contributions on creditable compensation, as provided for by
13 KRS 61.569;
- 14 (38) Statement to be made under oath, good faith reliance, as provided for in KRS
15 61.699;
- 16 (39) Disability procedure for members in hazardous positions as provided for in KRS
17 16.582;
- 18 (40) Direct deposit of recipient's retirement allowance as provided for in KRS 61.623;
- 19 (41) Death or disability from a duty-related injury as provided in KRS 61.621;
- 20 (42) Purchase of service credit effective July 1, 2001, as provided in KRS 61.5525;{and}
- 21 (43) Payment of small accounts upon death of member, retiree, or recipient without
22 formal administration of the estate as provided in KRS 61.703;
- 23 **(44) Hybrid cash balance plan provided to new members as provided by Section 9 of**
24 **this Act;**
- 25 **(45) Employer payment of increases in creditable compensation during the last five**
26 **(5) years of employment as provided by Section 10 of this Act; and**
- 27 **(46) Calculation of retirement allowance, as provided by Section 11 of this Act.**

1 ➔Section 76. KRS 78.616 is amended to read as follows:

2 (1) Any agency participating in the County Employees Retirement System which has
3 formally adopted a sick-leave program that is universally administered to its
4 employees may purchase service credit with the retirement system for up to six (6)
5 months of unused sick leave for each retiring employee.

6 (2) Participation under this section shall be at the option of each participating employer.
7 The election to participate shall be made by the governing authority of the
8 participating employer and shall be certified in writing to the system on forms
9 prescribed by the board. The certification shall provide for equal treatment of all
10 employees participating under this section.

11 (3) (a) Upon the member's notification of retirement as prescribed in KRS 61.590,
12 the employer shall certify the retiring employee's unused, accumulated sick-
13 leave balance to the system. The member's sick-leave balance, expressed in
14 days, shall be divided by the average number of working days per month in
15 county service and rounded to the nearest number of whole months. A
16 maximum of six (6) months of the member's sick-leave balance, expressed in
17 months, shall be added to his service credit for the purpose of determining his
18 annual retirement allowance under KRS 78.510 to 78.852 and for the purpose
19 of determining whether the member is eligible to receive a retirement
20 allowance under KRS 78.510 to 78.852, except as provided by paragraph (d)
21 of this subsection. Accumulated sick-leave in excess of six (6) months shall
22 be added to the member's service credit if the member or employer pays to the
23 retirement system the value of the additional service credit based on the
24 formula adopted by the board, subject to the restrictions provided by
25 paragraph (d) of this subsection.

26 (b) The employer may elect to pay fifty percent (50%) of the cost of the sick leave
27 in excess of six (6) months on behalf of its employees. The employee shall

1 pay the remaining fifty percent (50%). The payment by the employer shall not
 2 be deposited to the member's account. Service credit shall not be credited to
 3 the member's account until both the employer's and employee's payments are
 4 received by the retirement system.

5 (c) Once the employer elects to pay all or fifty percent (50%) of the cost on behalf
 6 of its employees, it shall continue to pay the same portion of the cost.

7 (d) For a member who begins participating in the retirement system on or after
 8 September 1, 2008, but prior to January 1, 2014, whose employer has
 9 established a sick-leave program under subsections (1) to (4) and (6) of this
 10 section:

11 1. The member shall receive no more than twelve (12) months of service
 12 credit upon retirement for accumulated unused sick leave accrued while
 13 contributing to the retirement system from which the retirement benefit
 14 is to be paid;

15 2. The service added to the member's service credit shall be used for
 16 purposes of determining the member's annual retirement allowance
 17 under KRS 78.510 to 78.852;

18 3. The service added to the member's service credit shall not be used to
 19 determine whether a member is eligible to receive a retirement
 20 allowance under KRS 78.510 to 78.852; and

21 4. The cost of the service provided by this paragraph shall be paid by the
 22 employer.

23 (4) The system shall compute the cost of the sick-leave credit of each retiring employee
 24 and bill each employer with whom the employee accrued sick leave accordingly.
 25 The employer shall remit payment within thirty (30) days from receipt of the bill.

26 (5) (a) As an alternative to subsections (1), (3), (4), and (6) of this section, any
 27 agency participating in the County Employees Retirement System which has

1 formally adopted a sick-leave program that is universally administered to its
 2 employees, or administered to a majority of eligible employees in accordance
 3 with subsection (6) of this section, shall, at the time of termination, or as
 4 provided in KRS 161.155 in the case of school boards, compensate the
 5 employee for unused sick-leave days the employee has accumulated which it
 6 is the uniform policy of the agency to allow.

7 (b) The rate of compensation for each unused sick-leave day shall be based on the
 8 daily salary rate calculated from the employee's current rate of pay. Payment
 9 for unused sick-leave days shall be incorporated into the employee's final
 10 compensation if the employee and employer make the regular employee and
 11 employer contributions, respectively, on the sick-leave payment.

12 (c) The number of sick-leave days for which the employee is compensated shall
 13 be divided by the average number of working days per month in county
 14 service and rounded to the nearest number of whole months. This number of
 15 months shall be added to the employee's total service credit and to the number
 16 of months used to determine creditable compensation, pursuant to KRS
 17 78.510, but no more than sixty (60) months shall be used to determine final
 18 compensation. For an employee who begins participating on or after
 19 September 1, 2008, but prior to January 1, 2014, the number of months
 20 added to the employee's total service credit under this paragraph shall not
 21 exceed twelve (12) months, and the additional service shall not be used to
 22 determine whether a member is eligible to receive a retirement allowance
 23 under KRS 78.510 to 78.852.

24 (6) Any city of the first class that has two (2) or more sick-leave programs for its
 25 employees may purchase service credit with the retirement system for up to six (6)
 26 months of unused sick leave for each retiring employee who participates in the sick-
 27 leave program administered to a majority of the eligible employees of the city. An

employee participating in a sick-leave program administered to a minority of the eligible employees shall become eligible for the purchase of service credit under this subsection when the employee commences participating in the sick-leave program that is administered to a majority of the eligible employees of the city.

(7) The provisions of this section shall not apply to employees who begin participating in the system on or after January 1, 2014, and no service credit shall be provided for accumulated sick leave balances of those employees who begin participating in the system on or after January 1, 2014.

➔Section 77. KRS 78.630 is amended to read as follows:

All of the assets of the system shall be held and invested in the county employees' retirement fund and credited, according to the purpose for which they are held, to one (1) of three (3) accounts, namely, the members' ~~contribution~~ account, the retirement allowance account, and accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515, and 78.520, as prescribed by KRS 61.702(2)(b).

➔Section 78. KRS 78.640 is amended to read as follows:

(1) The members' ~~contribution~~ account shall be the account to which:

(a) All members' contributions, or contributions picked up by the employer after August 1, 1982, and interest allowances as provided in KRS 78.510 to 78.852 shall be credited, except as provided by KRS 61.702(2)(b); **and**

(b) For members who begin participating in the system on or after January 1, 2014, the employer pay credit and interest credited on such amounts as provided by Sections 8 and 9 of this Act shall be credited.

Only funds from this account shall be **used to return** ~~paid~~ the accumulated contributions **or accumulated account balances** of a member **when** required to be returned to him **by reason of any provision of KRS 78.510 to 78.852** ~~upon withdrawal, or paid in the event of his death before retirement~~. Prior to the

1 member's retirement, death, or refund in accordance with KRS 61.625, no funds
2 shall be made available from the member~~{contribution}~~ account.

3 (2) Each member's contribution or contribution picked up by the employer shall be
4 credited to the individual account of the contributing member, except as provided
5 by KRS 61.702(2)(b).

6 (3) (a) Each member~~{on June 30 of each year}~~ shall have his individual account
7 credited with interest on June 30 of each year.

8 (b) For a member who begins participating before September 1, 2008, interest
9 shall be credited to his individual account at a rate determined by the board
10 but not less than two percent (2%) per annum on the accumulated account
11 balance~~{contributions}~~ of the member on June 30 of the preceding fiscal year.

12 (c) For a member who begins participating on or after September 1, 2008, but
13 prior to January 1, 2014, interest shall be credited to his or her individual
14 account at a rate of two and one-half percent (2.5%) per annum on the
15 accumulated contributions of the member on June 30 of the preceding fiscal
16 year.

17 (d) For a member who begins participating on or after January 1, 2014, in the
18 hybrid cash balance plan, interest shall be credited in accordance with
19 Sections 8 and 9 of this Act.

20 (e) The amounts of interest credited to a member's account under this subsection
21 shall be transferred from the retirement allowance account.

22 (4) (a) Upon the retirement of a member who began participating in the system
23 prior to January 1, 2014, his accumulated account balance~~{contributions}~~
24 shall be transferred from the members'~~{contribution}~~ account to the retirement
25 allowance account.

26 (b) Upon the retirement of a member who began participating in the system on
27 or after January 1, 2014, who elects to annuitize his or her accumulated

account balance as prescribed by subsection (7)(a) or (b) of Section 8 of this Act or subsection (7)(a) or (b) of Section 9 of this Act, the member's accumulated account balance shall be transferred to the retirement allowance account.

→ Section 79. KRS 78.650 is amended to read as follows:

The retirement allowance account shall be the account in which shall be accumulated all employer contributions and amounts transferred from the members' ~~contribution~~ account, and to which all income from the invested assets of the system shall be credited. From this account shall be paid the expenses of the system and the board in administration of the system, retirement allowances, and any other benefits payable after a member's retirement and from this account shall be transferred to the members' ~~contribution~~ account:

(1) The employer pay credit added monthly to each member's individual accounts as provided by Sections 8 and 9 of this Act; and

(2) The interest credited annually to each member's individual account as provided by KRS 78.510 to 78.852.

→ Section 80. KRS 78.852 is amended to read as follows:

(1) For members who begin participating in the County Employees Retirement System prior to January 1, 2014, it is hereby declared that in consideration of the contributions by the members and in further consideration of benefits received by the county from the member's employment, KRS 78.510 to 78.852 shall, except as provided in KRS 6.696 effective September 16, 1993, constitute an inviolable contract of the Commonwealth, and the benefits provided therein shall, except as provided in KRS 6.696, not be subject to reduction or impairment by alteration, amendment, or repeal.

(2) (a) For members who begin participating in the County Employees Retirement System on or after January 1, 2014, the General Assembly reserves the right

to amend, suspend, or reduce the benefits and rights provided under KRS 78.510 to 78.852 if, in its judgment, the welfare of the Commonwealth so demands, except that the amount of benefits the member has accrued at the time of amendment, suspension, or reduction shall not be affected.

(b) For purposes of this subsection, the amount of benefits the member has accrued at the time of amendment, suspension, or reduction shall be limited to the accumulated account balance the member has accrued at the time of amendment, suspension, or reduction.

(c) The provisions of this subsection shall not be construed to limit the General Assembly's authority to change any other benefit or right specified by KRS 78.510 to 78.852, except the benefits specified by paragraph (b) of this subsection, for members who begin participating in the County Employees Retirement System on or after January 1, 2014.

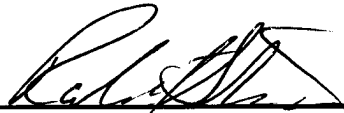
(3) The provisions of this section shall not be construed to limit the General Assembly's authority to amend, reduce, or suspend the benefits and rights of members of the County Employees Retirement System as provided by KRS 78.510 to 78.852 that the General Assembly had the authority to amend, reduce, or suspend, prior to the effective date of this Act.

➔Section 81. Notwithstanding any other provision of this Act to the contrary, the amendments in Sections 16, 25, and 69 of this Act shall in no way nullify the provisions of 2012 Ky. Acts ch. 19, Part I, 1.(4), 2012 Ky. Acts ch. 68, Part I, 2.(2), or 2012 Ky. Acts ch. 144, Part IV, 10., which suspended the cost-of-living adjustment that would have been provided to retirees and beneficiaries of the Legislative Retirement Plan, the Judicial Retirement Plan, the State Police Retirement System, the Kentucky Employees Retirement System, and the County Employees Retirement System on July 1, 2012, and July 1, 2013.

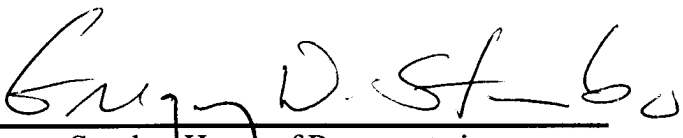
➔Section 82. Kentucky Retirement Systems shall within 30 days following the

1 effective date of this Act begin notifying members regarding the additional trustee to be
2 elected by members and retired members of the County Employees Retirement System, as
3 provided by Section 65 of this Act. Kentucky Retirement Systems shall establish an
4 election process to ensure the election of the new trustee for the County Employees
5 Retirement System added by Section 65 of this Act shall be completed no later than
6 November 1, 2013.

7 ➔Section 83. This Act takes effect July 1, 2013.




President of Senate



Speaker House of Representatives

Attest: 

Chief Clerk of Senate

Approved 

Governor

Date 4-4-13